



深圳市海王英特龍 生物技術股份有限公司

SHENZHEN NEPTUNUS INTERLONG
BIO-TECHNIQUE COMPANY LIMITED*

(a joint stock limited company incorporated
in the People's Republic of China)

(於中華人民共和國註冊成立之股份有限公司)

Stock Code : 8329

* For identification purpose only



2016

Third Quarterly Report



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This report, for which the directors (the “Directors”) of Shenzhen Neptunus Interlong Bio-technique Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the “Board”) of the Company is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the nine months ended 30 September 2016 (the “Reporting Period”), together with the unaudited comparative figures for the corresponding period of 2015.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

for the three months and nine months ended 30 September 2016

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Revenue	3	175,688	163,875	510,091	493,725
Cost of sales		(85,912)	(81,373)	(253,533)	(262,191)
Gross profit		89,776	82,502	256,558	231,534
Other revenue	3	611	827	3,158	7,011
Other net income	3	656	326	2,768	1,480
Selling and distribution expenses		(53,355)	(48,544)	(148,127)	(120,526)
Administrative expenses		(12,592)	(14,056)	(39,295)	(43,377)
Other operating expenses		(6,027)	(10,054)	(22,121)	(33,425)
Profit from operations		19,069	11,001	52,941	42,697
Finance costs	5	(746)	(2,381)	(2,949)	(7,915)
Profit before taxation	4	18,323	8,620	49,992	34,782
Income tax	6	(3,593)	(2,436)	(9,611)	(9,984)
Profit for the period		14,730	6,184	40,381	24,798
Attributable to:					
Owners of the Company		12,343	3,496	33,752	17,440
Non-controlling interests		2,387	2,688	6,629	7,358
Profit for the period		14,730	6,184	40,381	24,798
Earnings per share					
Basic and diluted	8	RMB0.74 cents	RMB0.21 cents	RMB2.01 cents	RMB1.04 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

for the three months and nine months ended 30 September 2016

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Profit for the period	14,730	6,184	40,381	24,798
Other comprehensive income for the period				
Other comprehensive income for the period, net of tax	–	–	–	–
Total other comprehensive income for the period, net of tax	–	–	–	–
Total comprehensive income for the period	14,730	6,184	40,381	24,798
Total comprehensive income attributable to:				
Owners of the Company	12,343	3,496	33,752	17,440
Non-controlling interests	2,387	2,688	6,629	7,358
Total comprehensive income for the period	14,730	6,184	40,381	24,798

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the nine months ended 30 September 2016

	Attributable to owners of the Company					Sub-total RMB'000	Non- controlling Interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve fund RMB'000	Accumulated loss RMB'000			
At 1 January 2015	167,800	554,844	(194,487)	30,244	(48,549)	509,852	90,199	600,051
Change in equity for 2015								
Profit for the period	-	-	-	-	17,440	17,440	7,358	24,798
Other comprehensive income for the period, net of tax	-	-	-	-	-	-	-	-
Total comprehensive income for the period, net of tax	-	-	-	-	17,440	17,440	7,358	24,798
Dividend paid from subsidiary to non-controlling interests	-	-	-	-	-	-	(5,600)	(5,600)
Transfer to other reserves	-	-	-	1,423	(1,423)	-	-	-
At 30 September 2015	167,800	554,844	(194,487)	31,667	(32,532)	527,292	91,957	619,249
At 1 January 2016	167,800	554,844	(188,494)	38,481	(35,731)	536,900	95,022	631,922
Change in equity for 2016								
Profit for the period	-	-	-	-	33,752	33,752	6,629	40,381
Other comprehensive income for the period, net of tax	-	-	-	-	-	-	-	-
Total comprehensive income for the period, net of tax	-	-	-	-	33,752	33,752	6,629	40,381
Dividend paid from subsidiary to non-controlling interests	-	-	-	-	-	-	(5,200)	(5,200)
Transfer to other reserves	-	-	-	28	(28)	-	-	-
At 30 September 2016	167,800	554,844	(188,494)	38,509	(2,007)	570,652	96,451	667,103

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

1. CORPORATE INFORMATION

The Company is a joint stock limited company registered in the People's Republic of China (the "PRC"). The registered office of the Company is located at 1st Floor, Block 1, Research Building, Neptunus Technical Center, Langshan 2nd R.N., Nanshan District, Shenzhen, Guangdong Province, the PRC.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the nine months ended 30 September 2016 have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and applicable disclosure requirements of the GEM Listing Rules.

The accounting policies adopted in the preparation of these unaudited condensed consolidated financial statements are consistent with those adopted for the preparation of annual financial statements for the year ended 31 December 2015 except for changes in accounting policies, if required, in adopting new or revised HKFRSs and interpretations that are first effective for accounting periods beginning on or after 1 January 2016. These unaudited condensed consolidated financial statements do not include all the information and disclosures required for annual financial statements, and should be read in conjunction with the Group's financial statements for the year ended 31 December 2015.

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Company. There have been no significant changes to the accounting policy applied in these financial statements for the periods as a result of the developments.

This unaudited condensed consolidated financial information for the 9 months ended 30 September 2016 comprises the Company and its subsidiaries.

The measurement basis used in the preparation of these financial statements is the historical cost basis. These financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and all amounts are rounded to the nearest thousand except where otherwise indicated.

The condensed consolidated financial statements of quarterly financial information are unaudited.

3. REVENUE AND OTHER REVENUE

The Group's revenue represents the net invoiced value of the goods sold net of value-added tax ("VAT") after allowances for returns and trade discounts, net invoiced value of research and development ("R&D") services provided net of VAT. An analysis of revenue and other revenue is as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Revenue				
Sale of medicines	104,437	111,162	311,718	339,597
Sales and distribution of medicines and healthcare products	71,251	52,695	198,184	154,089
R&D services income	–	18	189	39
	175,688	163,875	510,091	493,725
Other revenue				
Interest income from bank deposits	473	656	1,776	2,999
Government subsidy income	113	139	1,175	2,127
Compensation from PRC government authority	–	–	–	832
Other	25	32	207	1,053
	611	827	3,158	7,011
Other net income				
Net foreign exchange gains	2	3	2	3
Reversal of impairment on trade receivables	–	–	174	88
Reversal of impairment on other receivables	–	–	70	222
Reversal of write down of inventories	322	323	446	1,167
Gain on disposal of a subsidiary	–	–	1,694	–
Gain on disposal of available-for-sale investment	–	–	50	–
Write off of other payables	332	–	332	–
	656	326	2,768	1,480

4. PROFIT BEFORE TAXATION

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
(a) Staff costs (including directors' emoluments)				
Salaries, wages and other benefits	14,544	18,728	46,930	57,612
Contributions to defined contribution retirement plan	4,335	3,837	10,692	12,055
	18,879	22,565	57,622	69,667
(b) Other Item				
Cost of inventories	83,925	83,694	247,939	258,951
Amortisation				
– prepaid lease payments	393	393	1,178	1,178
– Intangible assets *	1,111	1,038	3,209	3,116
Depreciation	5,817	4,679	13,266	14,186
R&D costs *	4,684	8,460	14,252	27,431
Impairment on trade receivables *	–	–	189	3
Impairment on other receivables *	–	–	670	194
Loss on disposal of property, plant and equipment *	–	18	417	118
Write down of inventory *	661	41	2,741	1,990
Auditor's remuneration				
– other services	36	330	100	750

* These amounts have been included in "Other operating expenses" in the unaudited condensed consolidated statement of profit or loss.

5. FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Interest on bank loans wholly repayable within five years	721	1,277	2,733	4,716
Interest on financial assistance from the immediate parent company	25	1,104	216	3,199
Total interest expense on financial liabilities not at fair value through profit or loss	746	2,381	2,949	7,915

6. INCOME TAX

Income tax in the condensed consolidated statement of profit or loss represents:

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Current tax				
Provision for PRC Enterprise Income Tax	3,812	2,694	10,668	11,015
Deferred tax				
Origination and reversal of temporary differences	(219)	(258)	(1,057)	(1,031)
	3,593	2,436	9,611	9,984

Hong Kong Profits Tax has not been provided for as the Group had no income assessable to Hong Kong Profits Tax during the Reporting Period (30 September 2015: Nil).

Two subsidiaries of the Group established in the PRC were recognised by the Fujian Province Bureau of Science and Technology as high technology enterprise. In accordance with the applicable enterprise income tax ("EIT") of the PRC, these subsidiaries are subject to the PRC EIT at a preferential rate of 15%.

The Company and the other PRC subsidiaries are subject to the PRC EIT at a rate of 25% for the Reporting Period (30 September 2015: 25%).

7. DIVIDENDS

The Board does not recommend the payment of any dividend for the Reporting Period (2015: Nil).

8. EARNINGS PER SHARE

Basic earnings per share

For the three-month and nine-month periods ended 30 September 2016, the calculation of basic earnings per share was based on the profit attributable to owners of the Company of approximately RMB12,343,000 and RMB33,752,000 respectively (three-month and nine-month periods ended 30 September 2015: profit of approximately RMB3,496,000 and RMB17,440,000 respectively) and the weighted average number of 1,678,000,000 ordinary shares in issue for the three-month and nine-month periods ended 30 September 2016 (2015: 1,678,000,000 ordinary shares).

Diluted earnings per share

Diluted earnings per share for the three-month and nine-month periods ended 30 September 2016 and 2015 equals to basic earnings per share because there were no potential dilutive ordinary shares outstanding during these periods.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the Group was principally engaged in research and development, production and sales of medicines, and the purchase and sales of medicines and healthcare food products.

Manufacturing and Selling of Medicines

During the Reporting Period, affected by the change of infusion designated distribution policy in Fujian Province and the progress of some drug tenders, sales volume of some products of the Group decreased. Currently, some drug tenders in Fujian Province are at the final round of bidding. A subsidiary of the Group has become one of the final bidders as the basic infusion online enterprise. The Group will do the best to win the tender for the relevant drugs, strive for the expansion of the product sales network and reverse the decrease in sales volume of the relevant product.

During the Reporting Period, the effect of the state policy in tightening sales channel in narcotic drugs has been weakened. After adjusting the marketing strategy and increasing the sales effort, the sales volume of narcotic drugs has been recovered to a certain extent.

For the anti-tumor new drug, Tegafur, Gimeracil and Oteracil Potassium Tablets (替吉奥片) (the "TGOP Tablets"), as the biddings in many provinces took place later than expected, there was no significant growth in the sales of TGOP Tablets. The Group will do the best for the relevant bidding and market promotion, and strive to bring positive impact to the Group's revenue and profitability.

After the implementation of the pharmaceutical circulation "one invoice system" (一票制) in Fujian Province, manufacturers can directly supply some of the medicines to medical institutions, hence, the gross profit margin of relevant products increases. The Group adjusted the product structure accordingly and increased the sales effort of the relevant products, which has provided a good basis for the rebound of sales scale and the increase in net profit.

After the land use rights of two pieces of lands situated in Lianjiang County, Fuzhou, the PRC, were delivered to the Group in 2015, the production base of the Group in Lianjiang is now at the initial construction stage. At present, the Group has commenced some preliminary work such as adjusting some design proposals.

Purchase and Sales of Medicines and Healthcare Food Products

During the Reporting Period, the purchase and sales of medicines and healthcare food business continued to maintain growth. According to the products and market characteristics, the sales focus of over the counter products which the Group distributed was on the medium to large-sized chain drugstores, while the sales strategy for the prescribed drugs was to continue to cooperate with national professional sales promotion companies.

Due to the facts such as continued growth in domestic retail demand for drugs and healthcare food products as well as an increase in the number and type of drugs distributed by the Group, together with a flexible sales policy, the development of the sales in medium to large-sized chain drugstores is positive and the sales scale continues to expand.

Affected by the gradual implementation of the pharmaceutical circulation "two invoice system" (两票制) and "one invoice system" in parts of the pilot provinces in the PRC, the sales volume of some prescribed drugs of the Group which were sold to the ultimate hospitals through collaborative parties decreased. Amid to such circumstances, the Group strives to seek new business model to mitigate the effect brought by the above relevant policies on the Group.

Affected by the newly distributed products and the transformation to a new business model, the selling expenses and the market promotion fees of the Group increased. Meanwhile, as the production and operating cost of the upstream and downstream enterprises of the pharmaceutical industry in the PRC has increased, profit margin of the Group, as a commercial circulation enterprise in purchase and sales of medicines and healthcare food products, was squeezed.

Recombinant Proteins and Polypeptide Drugs Business

It is expected that more resources will be required for the recombinant proteins and polypeptide drugs business while it will be difficult for such businesses to contribute to the Group's profit in the coming years, hence, in order to concentrate resources on the development of profitable business, the Group sold its entire equity interest in Jiangsu Neptunus in January 2016 and the business was discontinued.

The discontinuation of such business and the in-vitro diagnostic reagent, which has been discontinued in December 2015, has significantly cut down the research and development expenses and capital expenditure, resulting in a significant increase in the profit attributable to the owners of the Company during the Reporting Period.

FINANCIAL REVIEW

The Group's revenue for the Reporting Period was approximately RMB510,091,000 (2015: RMB493,725,000), representing an increase of approximately 3.3% as compared with the corresponding period of last year. For the revenue, approximately RMB 311,718,000 which amounted to approximately 61.12% of the revenue was derived from manufacturing and selling of medicines, while approximately RMB198,184,000 which amounted to approximately 38.85% of the revenue was derived from the purchase and sales of medicines and healthcare food products. During the Reporting Period, due to the effect of certain events such as the progress of some drug tenders in Fujian Province and the enhancement of the clinical application management on antibacterial drugs, the revenue from manufacturing and selling of medicines has decreased by approximately 8.2%. With the revenue of the purchase and sales of medicines and healthcare food products has increased by approximately 28.6%, the total revenue of the Group has a slight overall increase.

During the Reporting Period, the Group's gross profit was approximately RMB256,588,000 (2015: RMB231,534,000), representing an increase of approximately 10.7% as compared with the corresponding period of last year; while the Group's gross profit margin was approximately 50% (2015: 47%), representing a slight increase of approximately 3 percentage points as compared with the corresponding period of last year. The increase in gross profit and gross profit margin was mainly due to the fact that (i) after the implementation of the pharmaceutical circulation "one invoice system" in Fujian Province, drug manufacturers can supply medicines directly to the medical institutions, thereby increasing the sales volume and unit prices of some products in the Group's pharmaceutical manufacturing segment (such as small volume injections and tablets); (ii) the revenue of pharmaceutical manufacturing segment amounted to a larger proportion of the Group's revenue; and (iii) affected by the change of tender policy in Fujian Province, the sales structure of the Group's pharmaceutical manufacturing segment has changed, there was a relative decline in sales volume of products with lower profit margin during the Reporting Period and there was a relative increase in sales volume of products with higher profit margin during the Reporting Period. Therefore gross profit and gross profit margin of the Group increased.

During the Reporting Period, the Group's selling and distribution expenses were approximately RMB148,127,000 (2015: RMB120,526,000), representing an increase of approximately 22.9% as compared with the corresponding period of last year. The increase in selling and distribution expenses was mainly due to (i) increase in sales volume of the purchase and sales of medicines and healthcare food products; (ii) the fact that the new products distributed by the Group had higher marketing expenses at the initial marketing promotion stage; and (iii) transformation to a new business model, and sales costs increased.

During the Reporting Period, the Group's administrative expenses were approximately RMB 39,295,000 (2015: RMB43,377,000), representing a decrease of approximately 9.4% as compared with the corresponding period of last year. The decrease in administrative expenses was mainly due to the fact that the Group disposed of Taizhou Neptunus Nano Bio-medical Technology Company Limited ("Taizhou Neptunus") at the end of 2015 and Jiangsu Neptunus in January 2016, both of which are research and development-focused companies, resulting a decrease in corresponding administrative expenses.

During the Reporting Period, the Group's other operating expenses amounted to approximately RMB22,121,000 (2015: RMB33,425,000), representing a significant decrease of approximately 33.8% as compared with the corresponding period of last year. The decrease in other operating expenses was mainly due to the significant decrease in research and development expenses as a result of the disposal of Taizhou Neptunus and Jiangsu Neptunus.

During the Reporting Period, the Group's finance costs amounted to approximately RMB2,949,000 (2015: RMB7,915,000), representing a significant decrease of approximately 62.7%. The Group has repaid part of the external borrowings, including shareholder's interest-bearing financial assistance and bank loans, during the Reporting Period, therefore, finance costs decreased significantly.

Due to the above reasons, the Group's profit after tax increased from approximately RMB24,798,000 of the corresponding period of last year, to approximately RMB40,381,000 of the Reporting Period, representing an increase of approximately 62.8%. Profit attributable to the owners of the Company significantly increased from approximately RMB17,440,000 of the corresponding period of last year, to approximately RMB33,752,000 of the Reporting Period, representing an increase of approximately 93.5%.

LIQUIDITY AND FINANCIAL RESOURCES

The Group usually finances its operating and investing activities with its internal financial resources and bank loans. The Group's transactions are mainly denominated in Renminbi and the Group reviews its working capital and finance requirements on a regular basis.

As at 30 September 2016, the Group had short-term bank borrowings of RMB50,000,000 (30 September 2015: RMB110,000,000) and shareholder's entrusted loan from the Company's controlling shareholder, Shenzhen Neptunus Bio-engineering Co., Ltd. ("Neptunus Bio-engineering"), amounting to RMB9,000,000 (30 September 2015: RMB9,000,000).

SHAREHOLDER'S ENTRUSTED LOAN

The Company obtained a shareholder's entrusted loan of RMB9,000,000 from Neptunus Bio-engineering through an entrusted arrangement with a bank in 2005. Neptunus Bio-engineering had undertaken to the Company that it would not demand repayment of the above-mentioned shareholder's entrusted loan unless and until: (1) the repayment of such shareholder's entrusted loan would not adversely affect the operations of the Company and/or its business objectives as set out in the prospectus published by the Company on 29 August 2005 (the "Prospectus"); (2) each of the independent non-executive Directors was of the opinion that the repayment of such shareholder's entrusted loan would not adversely affect the operations of the Company and/or the implementation of its business objectives as set out in the Prospectus, and the Company would make an announcement in respect of the decision of the independent non-executive Directors made under (2); and (3) the Company had a positive cash flow and had retained profits in the relevant financial year.

CONTINGENT LIABILITIES

As at 30 September 2016, the Group had no significant contingent liabilities.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE LISTED SECURITIES

As far as the Directors or supervisors of the Company are aware, as at 30 September 2016, the interests and short positions of the Directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be and were recorded in the register to be kept by the Company, or were required, pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long positions in the shares of the Company:

Director/supervisor	Capacity	Type of interests	Number of domestic shares held	Approximate percentage of all the domestic shares	Approximate percentage of the Company's issued share capital
Mr. Yu Jun (Note 1)	Beneficial owner	Personal	760,500	0.06%	0.05%
Mr. Song Ting Jiu (Note 2)	Beneficial owner	Personal	1,521,500	0.12%	0.09%

Notes:

- 1 Supervisor and employee of the Company
- 2 Non-executive Director of the Company

Long positions in shares of associated corporations of the Company:

Director	Capacity	Type of Interests	Name of associated corporation	Number of shares held in associated corporation	Approximate percentage of the associated corporation's issued share capital
Mr. Zhang Feng (Note (a))	Beneficial owner	Personal	Neptunus Bio-engineering	1,331,093	0.05%
Mr. Liu Zhan Jun (Note (b))	Beneficial owner	Personal	Neptunus Bio-engineering	8,883,793	0.34%
Ms. Yu Lin (Note (c))	Beneficial owner	Personal	Neptunus Bio-engineering	2,724,660	0.10%
Mr. Song Ting Jiu (Note (d))	Beneficial owner	Personal	Neptunus Bio-engineering	2,525,000	0.10%
Mr. Zhao Wen Liang (Note (e))	Beneficial owner	Personal	Neptunus Bio-engineering	700,000	0.03%

Notes:

- (a) Mr. Zhang Feng, deputy chairman of the board of directors of Neptunus Bio-engineering, was beneficially interested in approximately 0.05% of the entire issued share capital of Neptunus Bio-engineering, the Company's controlling shareholder, which in turn held directly and indirectly the beneficial interest in approximately 73.51% of the entire issued share capital of the Company, of which 70.38% was directly held and 3.13% was indirectly held through Shenzhen Neptunus Oriental Investment Company Limited ("Neptunus Oriental").
- (b) Mr. Liu Zhan Jun, director and president of Neptunus Bio-engineering, was beneficially interested in approximately 0.34% of the entire issued share capital of Neptunus Bio-engineering, the Company's controlling shareholder, which in turn held directly and indirectly the beneficial interest in approximately 73.51% of the entire issued share capital of the Company, of which 70.38% was directly held and 3.13% was indirectly held through Neptunus Oriental.
- (c) Ms. Yu Lin was beneficially interested in approximately 0.10% of the entire issued share capital of Neptunus Bio-engineering, the Company's controlling shareholder, which in turn held directly and indirectly the beneficial interest in approximately 73.51% of the entire issued share capital of the Company, of which 70.38% was directly held and 3.13% was indirectly held through Neptunus Oriental.
- (d) Mr. Song Ting Jiu was beneficially interested in approximately 0.10% of the entire issued share capital of Neptunus Bio-engineering, the Company's controlling shareholder, which in turn held directly and indirectly the beneficial interest in approximately 73.51% of the entire issued share capital of the Company, of which 70.38% was directly held and 3.13% was indirectly held through Neptunus Oriental.
- (e) Mr. Zhao Wen Liang was beneficially interested in approximately 0.03% of the entire issued share capital of Neptunus Bio-engineering, the Company's controlling shareholder, which in turn held directly and indirectly the beneficial interest in approximately 73.51% of the entire issued share capital of the Company, of which 70.38% was directly held and 3.13% was indirectly held through Neptunus Oriental.

Save as disclosed above, as at 30 September 2016, none of the Directors, supervisors or chief executives of the Company nor their respective associates held any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of SFO, or were required, pursuant to section 352 of the SFO to be and were recorded in the register to be kept by the Company, or were required, pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME, CONVERTIBLE SECURITIES AND WARRANTS

Up to 30 September 2016, the Company and its subsidiaries have not adopted any share option scheme and have not granted any option, convertible securities, warrants or other similar rights.

DIRECTORS' AND SUPERVISORS' SHARE OPTIONS, WARRANTS OR CONVERTIBLE BONDS

At any time during the Reporting Period, none of the Directors or supervisors of the Company or their respective spouse or minor children were granted any share options, warrants or convertible bonds of the Company, its subsidiaries or associated corporation.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

So far as the Directors and supervisors of the Company are aware, as at 30 September 2016, the interests and/or short positions held by shareholders (not being a Director, a supervisor or a chief executive of the Company) in shares or underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified to the Company were as follows:

Long positions in the shares of the Company:

Name of Substantial Shareholder	Capacity	Number of domestic shares held	Approximate percentage of the domestic shares	Approximate percentage of the Company's issued share capital
Neptunus Bio-engineering <i>(Note (a))</i>	Beneficial owner	1,181,000,000	94.33%	70.38%
	Interest in controlled corporation	52,464,500	4.19%	3.13%
Shenzhen Neptunus Group Company Limited ("Neptunus Group") <i>(Note (b))</i>	Interest in controlled corporation	1,233,464,500	98.52%	73.51%
Shenzhen Yinhetong Investment Company Limited ("Yinhetong") <i>(Note (c))</i>	Interest in controlled corporation	1,233,464,500	98.52%	73.51%
Mr. Zhang Si Min <i>(Note (d))</i>	Interest in controlled corporation	1,233,464,500	98.52%	73.51%
Ms. Wang Jin Song <i>(Note (e))</i>	Interest of spouse	1,233,464,500	98.52%	73.51%
Bank of Hangzhou Co., Ltd., Shenzhen Branch ("Bank of Hangzhou") <i>(Note (f))</i>	Security interest in shares	1,181,000,000	94.33%	70.38%

Notes:

- (a) Neptunus Bio-engineering was deemed to be interested in the 52,464,500 domestic shares of the Company held by Neptunus Oriental as the entire issued share capital of Neptunus Oriental was beneficially owned by Neptunus Bio-engineering. Neptunus Bio-engineering was also directly interested in 1,181,000,000 domestic shares of the Company. Therefore, Neptunus Bio-engineering was directly and indirectly interested in 1,233,464,500 domestic shares of the Company.
- (b) Neptunus Group was deemed to be interested in the 1,233,464,500 domestic shares of the Company, which relate to the same parcel of shares referred to in note (a) above, held by Neptunus Bio-engineering as Neptunus Group was beneficially interested in approximately 45.96% of the entire issued share capital of Neptunus Bio-engineering.
- (c) Yinhetong was deemed to be interested in 1,233,464,500 domestic shares of the Company, which relate to the same parcel of shares referred to in note (a) above, held by Neptunus Bio-engineering as Yinhetong was beneficially interested in approximately 58.96% of the entire issued share capital of Neptunus Group, which in turn was beneficially interested in approximately 45.96% of the entire issued share capital of Neptunus Bio-engineering.
- (d) Mr. Zhang Si Min (“Mr. Zhang”) was deemed to be interested in 1,233,464,500 domestic shares of the Company, which relate to the same parcel of shares referred to in note (a) above, held by Neptunus Bio-engineering as Mr. Zhang was beneficially interested in 70% of the entire issued share capital of Yinhetong, which in turn was beneficially interested in approximately 58.96% of the entire issued share capital of Neptunus Group, which in turn was beneficially interested in approximately 45.96% of the entire issued share capital of Neptunus Bio-engineering.
- (e) Ms. Wang Jin Song (“Ms. Wang”) was deemed to be interested in 1,233,464,500 domestic shares of the Company, which relate to the same parcel of shares referred to in note (a) above, held by Neptunus Bio-engineering as Ms. Wang is the spouse of Mr. Zhang and was taken to be beneficially interested in any shares held by Mr. Zhang.
- (f) Bank of Hangzhou was deemed to be interested in 1,181,000,000 domestic shares of the Company held by Neptunus Bio-engineering, as such domestic shares have been pledged to Bank of Hangzhou.

Save as disclosed above, the Directors and supervisors of the Company are not aware of any other persons (except the Directors, supervisors or chief executives of the Company) who held any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 30 September 2016.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

The Company and its subsidiaries did not purchase, redeem or sell any of the Company’s listed securities during the Reporting Period. The Company and its subsidiaries also did not redeem, purchase or cancel any of their redeemable securities.

COMPETING INTERESTS

On 21 August 2005, Neptunus Bio-engineering, the controlling shareholder of the Company, entered into an agreement with the Company, in relation to non-competition undertakings and priority investment rights (the "Non-Competition Undertakings"), pursuant to which Neptunus Bio-engineering had undertaken to the Company and its associates that, inter alia, as long as the securities of the Company are listed on GEM:

1. it will not, and will procure its associates not to whether within or outside the PRC, directly or indirectly or by any means, participate in or operate any business which may constitute direct or indirect competition with the business operated by the Company from time to time, or produce any products, the usage of which is the same as or similar to that of the products of the Company (other than those indirectly held as a result of the equity interest in any listed company or its subsidiaries); and
2. it will not, and will procure its associates not to hold any interest, whether within or outside the PRC, in any company or organization (directly or indirectly, other than indirectly held as a result of its equity interest in any listed company or its subsidiaries) when the business of such company or organisation will (or may) compete directly or indirectly with the business of the Company.

Pursuant to the Non-Competition Undertakings, during the term of such undertakings, when Neptunus Bio-engineering or its associates enter into any negotiations, within or outside the PRC, in relation to any new investment project which may compete with the existing and future business of the Company, the Company shall have a preferential right of investment in such new investment projects.

Neptunus Bio-engineering has confirmed with the Company that it has already complied with the Non-Competition Undertakings during the Reporting Period.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the Reporting Period, the Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the "required standard of dealings" as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all the Directors, all the Directors confirmed that they have not conducted any transaction in respect of the Company's securities during the Reporting Period. The Company is not aware of any violation by the Directors on the "required standard of dealings" and the Company's code of conduct regarding securities transactions by the Directors.

AUDIT COMMITTEE

The Company established an Audit Committee (the “Audit Committee”) on 21 August 2005. The primary duties of the Audit Committee are to review the Company’s annual report and financial statements, half-yearly reports and quarterly reports, and to provide suggestions and opinions thereon to the Board. In addition, the Audit Committee members will also meet with the management to review the accounting principles and practices adopted by the Company and to discuss matters relating to the auditing, internal control system and financial reporting process of the Company. The Audit Committee comprises one non-executive Director of the Company, namely Ms. Yu Lin and two independent non-executive Directors, namely Mr. Yick Wing Fat, Simon and Mr. Poon Ka Yeung. Mr. Yick Wing Fat, Simon is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed results of the Group for the Reporting Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As the Directors are aware, during the Reporting Period, the Company has complied with the requirements under the “Corporate Governance Code and Corporate Governance Report” set out in Appendix 15 of the GEM Listing Rules. The Board will continue to enhance the standard of corporate governance of the Company to ensure that the Company will operate its business in an honourable and responsible manner.

On behalf of the Board
Shenzhen Neptunus Interlong Bio-technique Company Limited*
Zhang Feng
Chairman

Shenzhen, the PRC, 7 November 2016

As at the date of this report, the executive Directors are Mr. Zhang Feng and Mr. Xu Yan He; the non-executive Directors are Mr. Liu Zhan Jun, Ms. Yu Lin, Mr. Song Ting Jiu and Mr. Zhao Wen Liang; and the independent non-executive Directors are Mr. Yick Wing Fat, Simon, Mr. Poon Ka Yeung and Mr. Zhang Jian Zhou.

* For identification purpose only