



# 深圳市海王英特龍 生物技術股份有限公司

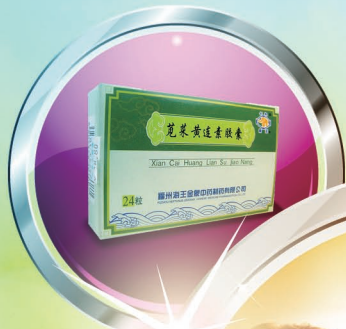
SHENZHEN NEPTUNUS INTERLONG  
BIO-TECHNIQUE COMPANY LIMITED\*

(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

Third Quarterly Report | 2017



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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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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 2017 (the "Reporting Period"), together with the unaudited comparative figures for the corresponding period of 2016.

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

For the three months and nine months ended 30 September 2017

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2017 (Unaudited) RMB'000	2016 (Restated) RMB'000	2017 (Unaudited) RMB'000	2016 (Restated) RMB'000
<b>Revenue</b>	3	<b>205,877</b>	175,688	<b>553,663</b>	510,091
Cost of sales		(100,040)	(85,912)	(274,550)	(253,533)
<b>Gross profit</b>		<b>105,837</b>	89,776	<b>279,113</b>	256,558
Other revenue	3	2,262	611	6,234	4,902
Other net income	3	291	656	1,173	1,024
Selling and distribution expenses		(67,341)	(53,355)	(174,360)	(148,127)
Administrative expenses		(13,321)	(12,592)	(36,742)	(39,295)
Other operating expenses		(9,539)	(6,027)	(21,875)	(22,121)
<b>Profit from operations</b>		<b>18,189</b>	19,069	<b>53,543</b>	52,941
Finance costs	4	(1,111)	(746)	(2,785)	(2,949)
<b>Profit before taxation</b>	4	<b>17,078</b>	18,323	<b>50,758</b>	49,992
Income tax expense	5	(3,509)	(3,593)	(10,167)	(9,611)
<b>Profit and total comprehensive income for the period</b>		<b>13,569</b>	14,730	<b>40,591</b>	40,381
<b>Profit and total comprehensive income for the period attributable to:</b>					
Owners of the Company		12,563	12,343	35,036	33,752
Non-controlling interests		1,006	2,387	5,555	6,629
		<b>13,569</b>	14,730	<b>40,591</b>	40,381
<b>Earnings per share for profit attributable to the owners of the Company during the period</b>					
Basic and diluted	7	<b>RMB0.75 cents</b>	RMB0.74 cents	<b>RMB2.09 cents</b>	RMB2.01 cents

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 2017

	Attributable to owners of the Company					Sub-total RMB'000	Non- controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve fund RMB'000	(Accumulated loss)/retained earnings RMB'000			
At 1 January 2016 (audited)	167,800	554,844	(188,494)	38,481	(35,731)	536,900	95,022	631,922
<b>Change in equity for 2016</b>								
Profit and other comprehensive income for the period	-	-	-	-	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)	-	-	-
<b>At 30 September 2016 (unaudited)</b>	<u>167,800</u>	<u>554,844</u>	<u>(188,494)</u>	<u>38,509</u>	<u>(2,007)</u>	<u>570,652</u>	<u>96,451</u>	<u>667,103</u>
At 1 January 2017 (audited)	167,800	554,844	(188,494)	43,749	21,693	599,592	99,947	699,539
<b>Change in equity for 2017</b>								
Profit and other comprehensive income for the period	-	-	-	-	35,036	35,036	5,555	40,591
Dividend paid from subsidiary to non-controlling interests	-	-	-	-	-	-	(5,200)	(5,200)
<b>At 30 September 2017 (unaudited)</b>	<u>167,800</u>	<u>554,844</u>	<u>(188,494)</u>	<u>43,749</u>	<u>56,729</u>	<u>634,628</u>	<u>100,302</u>	<u>734,930</u>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2017

### 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 2017 have been prepared in accordance with the applicable disclosure provision of the GEM Listing Rules on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The preparation of the unaudited condensed consolidated financial statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of the new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("HKFRSs"). The unaudited condensed consolidated financial statements do not include all the information and disclosures required for annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2016.

In the current Reporting Period, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to HKAS 12	Recognition of deferred tax assets for initiative unrealised losses
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There have been no significant changes to the accounting policy applied in these unaudited condensed consolidated financial statements for the periods as a result of the developments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

This unaudited condensed consolidated financial statements for the period ended 30 September 2017 comprises the Company and its subsidiaries.

The measurement basis used in the preparation of these unaudited condensed consolidated financial statements is the historical cost basis. These unaudited condensed consolidated 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 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 & development 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	
	2017 (Unaudited) RMB'000	2016 (Restated) RMB'000	2017 (Unaudited) RMB'000	2016 (Restated) RMB'000
<b>Revenue</b>				
Manufacturing and selling of medicines	111,194	104,437	318,534	311,718
Sales and distribution of medicines and healthcare products (Note 1)	94,683	71,251	235,129	198,184
Research & development services income	–	–	–	189
	<b>205,877</b>	<b>175,688</b>	<b>553,663</b>	<b>510,091</b>
<b>Other revenue</b>				
Gain on disposal of property, plant and equipment	30	–	42	–
Interest income from bank deposits	2,029	473	3,724	1,776
Gain on disposal of a subsidiary	–	–	–	1,694
Gain on disposal of available-for-sale investment	–	–	–	50
Government subsidies				
– released from deferred revenue	100	83	301	515
– directly recognised in profit or loss	69	30	349	660
Others	34	25	1,818	207
	<b>2,262</b>	<b>611</b>	<b>6,234</b>	<b>4,902</b>
<b>Other net income</b>				
Reversal of impairment loss on trade receivables	21	–	125	174
Reversal of impairment loss on other receivables	–	–	98	70
Reversal of write down of inventories	–	322	63	446
Reversal overprovision of retirement benefit	270	–	810	–
Net foreign exchange gains	–	2	77	2
Write off of other payables	–	332	–	332
	<b>291</b>	<b>656</b>	<b>1,173</b>	<b>1,024</b>

Note:

- For the nine-month period ended 30 September 2017, the revenue from sales and distribution of medicines and healthcare products included the revenue from pharmaceutical sales management services of approximately RMB3,665,000.

#### 4. PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging:

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 (Unaudited) RMB'000	2016 (Restated) RMB'000	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
<b>(a) Finance costs</b>				
Interest on bank loans	1,111	721	2,785	2,733
Interest on financial assistance from the immediate parent company	–	25	–	216
Total interest expense on financial liabilities not at fair value through profit or loss	<b>1,111</b>	<b>746</b>	<b>2,785</b>	<b>2,949</b>
<b>(b) Staff costs (including directors' emoluments)</b>				
Salaries, wages and other benefits	14,915	14,544	43,980	46,930
Contributions to defined contribution retirement plan	3,317	3,491	10,437	10,692
	<b>18,232</b>	<b>18,035</b>	<b>54,417</b>	<b>57,622</b>

#### 4. PROFIT BEFORE TAXATION (CONTINUED)

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
<b>(c) Other Item</b>				
Amortisation				
– Prepaid lease payments				
– charged to unaudited condensed consolidated statement of profit or loss and other comprehensive income	393	393	1,178	1,178
– capitalised in construction-in-progress	195	195	585	1,763
	588	588	1,763	1,763
– Intangible assets (Note 1)	1,029	1,111	3,104	3,209
Depreciation	3,479	5,817	10,365	13,266
Cost of inventories	98,509	83,925	267,156	247,939
Research & development costs (Note 1)	4,205	4,684	12,854	14,252
Operating lease charges: minimum lease payment	1,517	2,077	4,380	6,485
Impairment on				
– trade receivables (Note 1)	–	–	204	189
– other receivables (Note 1)	–	–	8	670
Loss on disposal of property, plant and equipment (Note 1)	3	–	3	417
Write down of inventory (Note 1)	4,305	661	5,470	2,741
Auditor's remuneration				
– non-audit services	293	36	425	100

Note:

- (1) These amounts have been included in "Other operating expenses" in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.



## 5. INCOME TAX

Income tax in the unaudited condensed consolidated statement of profit or loss and other comprehensive income represents:

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
<b>Current tax</b>				
– Provision for PRC Enterprise Income Tax	4,772	3,812	11,912	10,668
<b>Over provision in previous years</b>	(1,066)	–	(1,066)	–
<b>Deferred tax</b>				
– Reversal of temporary differences	(197)	(219)	(679)	(1,057)
	<b>3,509</b>	<b>3,593</b>	<b>10,167</b>	<b>9,611</b>

Hong Kong Profits Tax has not been provided for as the Group had no assessable profit to Hong Kong Profits Tax during the Reporting Period (nine-month period ended 30 September 2016: 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 (nine-month period ended 30 September 2016: 25%).

## 6. DIVIDENDS

The Board does not recommend the payment of any dividend for the Reporting Period (2016: Nil).

## 7. EARNINGS PER SHARE

### Basic earnings per share

For the three-month and nine-month periods ended 30 September 2017, the calculation of basic earnings per share was based on the profit attributable to owners of the Company of approximately RMB12,563,000 and RMB35,036,000 respectively (three-month and nine-month periods ended 30 September 2016: profit of approximately RMB12,343,000 and RMB33,752,000 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 2017 (2016: 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 2017 and 2016 equals to basic earnings per share because there were no potential dilutive ordinary shares outstanding during these periods.

## 8. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the Reporting Period, the Group was principally engaged in the research and development, manufacturing and selling of medicines, and the purchase and sales of medicines and healthcare food products in the People's Republic of China ("PRC"). The medicines being sold by the Group mainly cover four therapeutic areas which are oncology, cardiovascular system, respiratory system and digestive system.

#### Manufacturing and Selling of Medicines

Currently, the Group manufactures its own medicines through the production base ("Fuzhou Production Base") located in Jin'an District, Fuzhou, Fujian Province, the PRC, including herbal medicine, generic drugs, transfusion, anti-tumor drugs and other drugs. The Fuzhou Production Base is the only narcotic production base in Fujian Province designated by the State and also the only medicine production base for army reserves in Fujian Province for the General Logistics Department of the Chinese People's Liberation Army.

Two pharmaceutical manufacturing subsidiaries of the Group are high-tech enterprises. They currently possess various new drugs and exclusive products with self-owned intellectual property rights, including Tegafur, Gimeracil and Oteracil Potassium Tablets (the "TGOP Tablets" 替吉奧片, a new drug for anti-gastric cancer), Active Pharmaceutical Ingredient of a new drug for anti-leukemia, Clofarabine, Xiaozheng Yigan Tablets (消症益肝片, an anti-liver-cancer drug), Proteoglycan Tablets (多糖蛋白片, for enhancing immune system), Biyuan Capules (鼻淵膠囊, an anti-rhinitis medicine), Amaranth Berberine Capsules (莧菜黃連素膠囊, a drug for acute diarrhea) and HTK Myocardial Protection Cardioplegic Solution (HTK心肌停跳液, a Class III medical device). Among the aforesaid products, the research and development of HTK Myocardial Protection Cardioplegic Solution of a relevant subsidiary was awarded "Fujian Enterprise Excellent Innovation Achievement Prize" in 2017 by Fujian Province Enterprise and Entrepreneur Union (福建省企業與企業家聯合會); and Amaranth Berberine Capsules was the top seller among the antidiarrheal Chinese patent medicines in urban retail drugstores of China in 2016 with a market share of approximately 33% according to the information released in the end of August 2017 by Menet (previously known as China Pharmaceutical Economic Information Network), a pharmaceutical information web portal.

During the Reporting Period, the sales of the large-capacity injection series products were affected by the unsatisfactory results of tendering process in some regions of Fujian Province. Meanwhile, because certain large-capacity injection products increased production previously to follow the Designated Production of Injections Policy (輸液定點生產政策) in Fujian Province, the inventory pressure of such products was put upward by the sales decrease. Given the situation, the Group has been striving to expand the sales of other bid-winning products to offset the impact of aforesaid series products on the Group's revenue, and also actively preparing for the next bid tender work. The Pharmaceutical GMP Certificate of a production line for large volume injections of glass bottles owned by a subsidiary of the Group, which has the smaller production capacity, was withdrawn in the middle of August 2017. It is estimated that the withdrawal of the certificate will not significantly affect the production and operation and the results of the Group for the financial year 2017. According to the current regulations of the PRC, if the Pharmaceutical GMP Certificate of a production line has been withdrawn, the pharmaceutical manufacturer can re-apply for the GMP certification for such production line after proper rectification and reforms. The Group will procure the subsidiary to re-obtain the Pharmaceutical GMP Certificate for relevant production line. On the other hand, thanks to the State's support for the development of herbal medicine industry, as well as the increasing demand for herbal medicine products, the sales revenue of the herbal medicine products during the Reporting Period continued its positive growth. In addition, the TGOP Tablets have won the bids in Fujian Province and Guangdong Province, and the sales of which is good. It is expected that the sales revenue of the TGOP Tablets this year will have substantial growth as compared with that of last year.

Under the national policy in relation to quality consistency evaluation for generic drugs promulgated in 2016, appropriate variety is actively selected by a pharmaceutical manufacturing subsidiary of the Group and the quality consistency evaluation of the first batch of selected medicines has been conducted in 2016, and is still under progress for the time being.

The Group obtained the land use rights in respect of two pieces of lands located at Aojiangyuan District, Lianjiang County, Fuzhou City, Fujian Province, the PRC (the "Lands") through the listing for sale (掛牌出讓) organized by the Bureau of Land Resources of Lianjiang ("Lianjiang Land Bureau") on 19 April 2012 to build a pharmaceutical production base ("Lianjiang Project"). After the delivery of the Lands to the Group by Lianjiang Land Bureau in March 2015, the Group had been proactively conducting preliminary construction preparation work on the Lands in respect of the Lianjiang Project, but due to various factors, the construction progress had been slow. In light of this, the Group had actively communicated with the relevant government departments of Lianjiang County. On 19 October 2017, two subsidiaries of the Group, Neptunus Fuyao Pharmaceutical (Lianjiang) Co., Ltd. and Neptunus Jinxiang Chinese Pharmaceutical (Lianjiang) Co., Ltd. respectively entered into a land resumption agreement with Lianjiang County Land Development Centre and Lianjiang Economic Development District Management Committee, pursuant to which the Lands will be redeemed by Lianjiang County Land Development Centre for a total consideration of RMB63,869,886. As the Lianjiang Project is still in its early stage of construction with only preparatory work, the infrastructure has not been completed and no actual operation has been commenced. It is expected that the resumption of the Lands will not bring any impact on the Group's normal course of production and operation.

#### **Purchase and Sales of Medicines and Healthcare Food Products**

Currently, the main products distributed by the Group are medicines and healthcare food products, including the well-known product series of the Neptunus Ginkgo Leaves Tablets (海王銀杏葉片) and Neptunus Jinzun (海王金樽). In 2017, Neptunus® Yinkeluo® Ginkgo Leaves Tablets was listed in the Rui Sub-List of China Pharmaceutical Brand List (中國制藥•品牌榜銳榜) sponsored by Menet. The brands listed were the brands recorded high growth rate by the three great terminals of Menet in the most recent year and were strictly selected into the sub-list. During the evaluating process, many professional research institutions, professionals and academics of the industry and entrepreneurs provided plenty of professional advice and the sub-list is of relatively great influence in China pharmaceutical industry.

During the Reporting Period, purchase and sales of medicines and healthcare food products business continued to maintain growth. Among which, the sales volume through large and medium-sized chain drugstores continued to maintain growth due to reasons such as increase in demands in domestic pharmaceutical retail market and healthcare food products market, increase in the number of products and categories distributed by the Group, adoption of a flexible and diversified sales policy, in-depth optimization of the sales force etc.; due to the implementation of "two invoice system" (兩票制) and "one invoice system" (一票制) in the PRC, sales volume of drugs that were sold to terminal medical institutions through professional sales promotion companies decreased accordingly. Despite the fact that a decrease in the revenue of the sales to the terminal medical institutions partially offset the increase in the revenue of the sales to chain drugstores, the overall sales revenue of the purchase and sales of medicines and healthcare food products business has maintained positive growth.

In order to reduce the intermediate links in pharmaceutical circulation, the PRC government has progressively implemented "One Invoice System" or "Two Invoice System" in the relevant provinces. Due to the impact of such policies, certain pharmaceutical products which were originally distributed through the Group are now needed to be directly supplied to hospitals or terminal distributors by the pharmaceutical manufacturing enterprises. To offset the decrease of sales revenue brought by the decrease in the quantities of the pharmaceutical products distributed by the Group, the Group has proactively adjusted its business model and has started to provide sales management services of pharmaceutical products (including promotion services, display services and information services) to relevant pharmaceutical manufacturing enterprises. So far, the business is being carried out progressively.

#### **FINANCIAL REVIEW**

The Group's revenue for the Reporting Period was approximately RMB553,663,000, representing an increase of approximately 8.54% from approximately RMB510,091,000 for the corresponding period of last year. For the revenue, approximately RMB318,534,000 which amounted to approximately 57.53% of the revenue was derived from the manufacturing and selling of medicines business, while approximately RMB235,129,000 which amounted to approximately 42.47% of the revenue was derived from the purchase and sales of medicines and healthcare food products business. During the Reporting Period, the revenue from the manufacturing and selling of medicines business increased by approximately 2.19% as compared with the corresponding period of last year. As for the purchase and sales of medicines and healthcare food products business, revenue increased by approximately 18.64% as compared with the corresponding period of last year, therefore overall revenue of the Group increased accordingly.

During the Reporting Period, the Group's gross profit margin was approximately 50%, which remained stable as compared with the corresponding period of last year. During the Reporting Period, the Group's gross profit was approximately RMB279,113,000, representing an increase of approximately 8.79% from approximately RMB256,558,000 for the corresponding period of last year. Gross profit increased mainly attributable to the increase in the Group's total revenue and the stable gross profit margin.

During the Reporting Period, the Group's selling and distribution expenses were approximately RMB174,360,000, representing an increase of approximately 17.71% from approximately RMB148,127,000 for the corresponding period of last year. The increase in selling and distribution expenses was mainly due to the fact that (i) sales scale of the purchase and sales of medicines and healthcare food products business increased, and thus the selling expenses increased correspondingly; and (ii) due to the "one invoice system" (一票制) in Fujian Province, related pharmaceutical manufacturing subsidiaries of the Group started to supply directly to terminal medical institutions since the second quarter of last year, thus only six months of delivery costs were reflected in the corresponding period of last year, while nine months of delivery costs were reflected during the Reporting Period. Therefore selling expenses increased as compared with the corresponding period of last year.

During the Reporting Period, the Group's administrative expenses were approximately RMB36,742,000, representing a decrease of approximately 6.5% from RMB39,295,000 for the corresponding period of last year. The decrease in administrative expenses was mainly due to the fact that depreciation and related operating costs of the Group were reduced.

During the Reporting Period, the Group's other operating expenses amounted to approximately RMB21,875,000, which remained stable as compared with the corresponding period of last year.

During the Reporting Period, the Group's finance costs amounted to approximately RMB2,785,000, representing a decrease of approximately 5.56% from approximately RMB2,949,000 for the corresponding period of last year. As compared with the corresponding period of last year, the interest on bank loans increased slightly, but the interest on financial assistance from the immediate parent company decreased, and therefore the overall finance costs of the Group decreased accordingly.

During the Reporting Period, the Group's profit after tax was approximately RMB40,591,000, representing an increase of approximately 0.52% from approximately RMB40,381,000 for the corresponding period of last year. Profit attributable to the owners of the Company was approximately RMB35,036,000, representing an increase of approximately 3.8% from approximately RMB33,752,000 for the corresponding period of last year.

## 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 demand for working capital and financing on a regular basis.

### Banking facilities

As at 30 September 2017, the Group's banking facility amounted to RMB100,000,000, which is secured by pledge of buildings and prepaid lease payments of a subsidiary. As at 30 September 2017, such banking facility has been fully utilised and thus short-term bank borrowings of RMB100,000,000 was outstanding.

### Shareholder's entrusted loans

The Company obtained a shareholder's entrusted loan of RMB9,000,000 from Shenzhen Neptunus Bio-engineering Co., Ltd. ("Neptunus Bio-engineering") through an entrusted arrangement with a bank. 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 positive cash flow and retained earnings in the relevant financial year.

### CONTINGENT LIABILITY

As at 30 September 2017, the Group had no significant contingent liabilities.

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

As far as the Directors and supervisors of the Company are aware, as at 30 September 2017, the interests and short positions of the Directors, supervisors and chief executive 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	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. Song Ting Jiu (Note 1)	Beneficial owner	Personal	1,521,500	0.12%	0.09%

Note:

1 Non-executive Director of the Company

Long positions in shares of associated corporations of the Company:

Director/Chief Executive	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	2,144,660	0.08%
Mr. Song Ting Jiu (Note (d))	Beneficial owner	Personal	Neptunus Bio-engineering	1,516,200	0.06%
Mr. Zhao Wen Liang (Note (e))	Beneficial Owner	Personal	Neptunus Bio-engineering	700,000	0.03%
Ms. Mu Ling Xia (Note (f))	Beneficial Owner	Personal	Neptunus Bio-engineering	656,000	0.02%

Notes:

- (a) Mr. Zhang Feng, chairman of the Board and 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, non-executive Director of the Company and 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, non-executive Director of the Company, was beneficially interested in approximately 0.08% 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, non-executive Director of the Company, was beneficially interested in approximately 0.06% 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, non-executive Director of the Company, 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.
- (f) Ms. Mu Ling Xia, vice general manager of the Company, was beneficially interested in approximately 0.02% 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 2017, none of the Directors, supervisors or chief executive 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 2017, 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 2017, 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:*

<b>Name of Substantial Shareholder</b>	<b>Capacity</b>	<b>Number of domestic shares held</b>	<b>Approximate percentage of the domestic shares</b>	<b>Approximate percentage of the Company's issued share capital</b>
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 Neptunus Holding Group Company Limited ("Neptunus Holding") (previously known as "Shenzhen Yinhetong Investment Company Limited") ( <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 45.93% of the entire issued share capital of Neptunus Bio-engineering.
- (c) Neptunus Holding 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 Neptunus Holding was beneficially interested in approximately 59.68% of the entire issued share capital of Neptunus Group, which in turn was beneficially interested in approximately 45.93% 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 Neptunus Holding and the entire issued share capital of Shenzhen Haihe Investment and Development Company Limited ("Haihe"), which in turn was beneficially interested in approximately 59.68% and 20% of the entire issued share capital of Neptunus Group respectively. Neptunus Group was beneficially interested in approximately 45.93% 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 executive 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 2017.

## **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 containing undertakings relating to non-competition and preferential rights of investments (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 (other than those indirectly held as a result of the equity interest in any listed company or its subsidiaries), participate in or operate any business in whatever form, or produce any products, (the usage of which is the same as or similar to that of the products of the Company) which may constitute direct or indirect competition to the business operated by the Company from time to time; 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 entity will (or may) compete directly or indirectly with the business of the Company.

Pursuant to the Non-Competition Undertakings, at a time when the Non-Competition Undertakings are subsisting, whenever Neptunus Bio-engineering or any 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 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 consolidated 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, 14 November 2017

*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