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)

(Stock code: 8329)

ANNOUNCEMENT OF THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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.

* *For identification purpose only*

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 2019 (the "Reporting Period"), together with the unaudited comparative figures for the corresponding period of 2018.

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

For the three months and nine months ended 30 September 2019

		For the three months ended 30 September		For the nine months ended 30 September	
		2019	2018	**2019**	2018
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	Note	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	*4*	**288,177**	219,744	**763,892**	625,361
Cost of sales		**(110,843)**	(83,691)	**(296,031)**	(260,188)
Gross profit		**177,334**	136,053	**467,861**	365,173
Other revenue	*4*	**2,658**	3,321	**6,943**	9,429
Other net income	*4*	**673**	30	**2,507**	3,324
Selling and distribution expenses		**(129,011)**	(94,049)	**(347,353)**	(266,993)
Administrative expenses		**(15,018)**	(14,812)	**(44,922)**	(39,257)
Other operating expenses		**(10,592)**	(10,956)	**(30,829)**	(29,117)
Profit from operations		**26,044**	19,587	**54,207**	42,559
Finance costs	*5*	**(385)**	(648)	**(1,041)**	(1,308)
Profit before taxation	*5*	**25,659**	18,939	**53,166**	41,251
Income tax expenses	*6*	**(6,526)**	(4,879)	**(12,653)**	(9,479)
Profit and total comprehensive income for the period		**19,133**	14,060	**40,513**	31,772
Profit and total comprehensive income for the period attributable to:					
Owners of the Company		**17,674**	12,970	**36,226**	28,111
Non-controlling interests		**1,459**	1,090	**4,287**	3,661
		19,133	14,060	**40,513**	31,772
Earnings per share for profit attributable to the owners of the Company during the period					
Basic and diluted	*8*	**RMB1.05 cents**	RMB0.77 cents	**RMB2.16 cents**	RMB1.68 cents

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 2019

	Attributable to owners of the Company							
	Share Capital	Share Premium	Capital Reserve	Statutory Reserve Fund	Retained Earnings	Sub-total	Non-controlling Interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018 (Audited)	167,800	554,844	(188,494)	48,619	67,080	649,849	99,919	749,768
Change in equity for 2018								
Profit and total comprehensive income for the period	–	–	–	–	28,111	28,111	3,661	31,772
Dividend paid from subsidiary to non-controlling interests	–	–	–	–	–	–	(2,000)	(2,000)
At 30 September 2018 (Unaudited)	167,800	554,844	(188,494)	48,619	95,191	677,960	101,580	779,540
As at 1 January 2019 (Audited)	**167,800**	**554,844**	**(188,494)**	**48,423**	**115,365**	**697,938**	**100,894**	**798,832**
Adjustment from the adoption of HKFRS 16 *(Note 3 (a))*	–	–	–	–	**(524)**	**(524)**	–	**(524)**
Adjustment balance at 1 January 2019	**167,800**	**554,844**	**(188,494)**	**48,423**	**114,841**	**697,414**	**100,894**	**798,308**
Change in equity for 2019								
Profit and total comprehensive income for the period	–	–	–	–	**36,226**	**36,226**	**4,287**	**40,513**
Dividend paid from subsidiary to non-controlling interests							**(1,800)**	**(1,800)**
At 30 September 2019 (Unaudited)	**167,800**	**554,844**	**(188,494)**	**48,423**	**151,067**	**773,640**	**103,381**	**837,021**

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2019

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 Suite 2103, 21st Floor, Neptunus Yinhe Technology Mansion, 1 Keji Middle 3rd Road, Yuehai Sub-district, 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 2019 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 of the Reporting Period have been prepared in accordance with the same accounting policies adopted in the annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new or amended HKFRSs and the impacts on the unaudited condensed consolidated financial statements of the Reporting Period are disclosed in note 3. The unaudited condensed consolidated financial statements of the Reporting Period 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 2018.

This unaudited condensed consolidated financial statements for the period ended 30 September 2019 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. ADOPTION OF NEW AND AMENDED HKFRSS AND CHANGES IN ACCOUNTING POLICIES

(a) New and amended HKFRSs adopted as at 1 January 2019

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Among these, HKFRS 16 "Leases" ("HKFRS 16") is relevant to the Group's financial statements.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this unaudited condensed consolidated financial statements of the Reporting Period. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 "Leases"

HKFRS 16 replaces HKAS 17 'Leases' along with three interpretations (HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease", HK(SIC) Int-15 "Operating Leases-Incentives" and HK(SIC) Int-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC)-Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC)-Int 4. The Group has already recognised the prepaid lease payments for leasehold land where the Group is a lessee. The application of HKFRS 16 does not have an impact on these assets except for the whole balance is now presented as "Prepaid lease payments" under non-current assets.

The Group has elected not to include in initial direct costs when measuring the right-of-use asset for operating leases in existence at the date of initial application of HKFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expenses on a straight-line basis over the remaining lease term.

On transition to HKFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 4.35%.

The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	RMB'000
Total operating lease commitments disclosed at 31 December 2018	6,434
Less: PRC Value-Added Tax	(298)
Recognition exemptions:	
– Leases with remaining lease term of less than 12 months	(192)
Operating leases liabilities before discounting	5,944
Discounting using incremental borrowing rate as at 1 January 2019	(470)
Total lease liabilities recognised under HKFRS 16 at 1 January 2019	5,474
Classified as:	
– Current lease liabilities	1,447
– Non-current lease liabilities	4,027
	5,474

The following table summarises the impact of transition to HKFRS 16 on the Group's consolidated statement of financial position at 1 January 2019:

	RMB'000
Increase in right-of-use assets	4,950
Increase in lease liabilities	5,474
Decrease in retained profits	(524)

(b) Issued but not yet effective HKFRSs

The Group has not applied any new and amended HKFRSs that have been published by the HKICPA but are not yet effective for the current accounting period. The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application.

The details of the possible impacts on the Group brought by the issued but not yet effective HKFRSs should be read in conjunction with the condensed consolidated interim financial statements of the Group for the six months ended 30 June 2019.

(c) Significant accounting policies

The unaudited condensed consolidated financial statements of the Reporting Period has been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 December 2018, except for the effects of applying HKFRS 16.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies should be read in conjunction with the condensed consolidated interim financial statements of the Group for the six months ended 30 June 2019.

4. REVENUE AND OTHER REVENUE

Revenue arises mainly from manufacturing and selling of medicines and the sales and distribution of medicines and healthcare products.

	For the three months ended 30 September		**For the nine months ended 30 September**	
	2019	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Revenue				
Manufacturing and selling of medicines	**134,639**	113,416	**376,894**	326,419
Sales and distribution of medicines and healthcare products	**153,538**	106,328	**386,998**	298,942
	288,177	219,744	**763,892**	625,361

For the nine-month period ended 30 September 2019, the revenue from sales and distribution of medicines and healthcare products included the revenue from pharmaceutical sales management services of approximately RMB4,318,000 (nine-month period ended 30 September 2018: approximately RMB14,336,000).

	For the three months ended 30 September		**For the nine months ended 30 September**	
	2019	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other revenue				
Gain on disposal of property, plant and equipment	**8**	–	**8**	–
Interest income from bank deposits	**1,252**	328	**4,105**	2,600
Interest income from principal protected deposits	**826**	738	**1,334**	1,511
Government subsidy income				
– released from deferred revenue	**101**	100	**300**	1,168
– directly recognized in profit or loss	**56**	102	**199**	119
Change in fair value of financial assets through profit or loss	**413**	418	**992**	2,258
Other	**2**	1,635	**5**	1,773
	2,658	3,321	**6,943**	9,429
Other net income				
Reversal of impairment loss on trade receivables	**–**	–	**–**	–
Reversal of impairment loss on other receivables	**–**	–	**–**	108
Reversal of write down of inventories	**673**	–	**2,449**	2,428
Net foreign exchange gains	**–**	3	**58**	81
Others	**–**	27	**–**	707
	673	30	**2,507**	3,324

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived after deducting the following:

	For the three months ended 30 September		For the nine months ended 30 September	
	2019	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
(a) Finance costs				
Interest on bank loans and other borrowings	**335**	648	**878**	1,308
Financial cost on lease liabilities	**50**	–	**163**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**385**	648	**1,041**	1,308
(b) Staff costs (including directors' emoluments)				
Salaries, wages and other benefits	**22,111**	17,230	**63,103**	48,299
Contributions to defined contribution retirement plans	**3,955**	3,612	**12,168**	10,463
	26,066	20,842	**75,271**	58,762
(c) Other Item				
Amortisation				
– Prepaid lease payments				
– charged to unaudited condensed consolidated statement of profit or loss and other comprehensive income	**393**	393	**1,178**	1,178
– Intangible assets *(Note)*	**993**	963	**2,981**	2,939
Depreciation				
– property, plant and equipment	**3,531**	3,287	**10,955**	9,991
– right-of-use assets	**382**	–	**1,143**	–
Cost of inventories	**105,045**	83,363	**287,177**	255,594
Research & development costs *(Note)*	**6,402**	6,324	**21,888**	18,690
Short-term lease expenses: minimun lease payments	**347**	1,322	**1,333**	4,184
Impairment on				
– trade receivables *(Note)*	**(14)**	–	**529**	301
– other receivables *(Note)*	**–**	–	**2**	3
Loss on disposal of property, plant and equipment *(Note)*	**226**	322	**294**	329
Write down of inventory *(Note)*	**2,113**	390	**4,255**	3,824
Auditor's remuneration	**8**	–	**8**	–
Auditor's non-audit services remuneration	**262**	153	**540**	291

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

6. 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	
	2019	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current tax				
Provision for PRC Enterprise Income Tax ("EIT")	**6,667**	4,926	**12,837**	9,674
Deferred tax				
Origination and reversal of temporary differences	**(141)**	(47)	**(184)**	(195)
	6,526	4,879	**12,653**	9,479

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 2018: Nil).

Two subsidiaries of the Group established in the PRC were recognised as high-tech enterprises in Fujian Province. In accordance with the applicable Enterprise Income Tax Law 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 2018: 25%).

7. DIVIDENDS

The Board does not propose the payment of any dividend for the Reporting Period (2018: Nil).

8. EARNINGS PER SHARE

Basic earnings per share

For the three-month and nine-month periods ended 30 September 2019, the calculation of basic earnings per share was based on the profit attributable to owners of the Company of approximately RMB17,674,000 and RMB36,226,000 respectively (three-month and nine-month periods ended 30 September 2018: profit of approximately RMB12,970,000 and RMB28,111,000 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 2019 (2018: 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 2019 and 2018 equals to basic earnings per share because there were no potential dilutive ordinary shares outstanding during these periods.

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 PRC. The medicines being sold by the Group mainly cover four therapeutic areas which are oncology, cardiovascular system, respiratory system and digestive system.

Research and development, manufacturing and selling of medicines

Currently, the Group manufactures its own medicines through its production base(“Fuzhou Production Base”) located in Jin’an District, Fuzhou, Fujian Province, the PRC, including Chinese medicines (which includes more than a dozen of dosage forms such as tablets, capsules, granules, oral solutions and tinctures) and chemical medicines (which includes various dosage forms namely tablets, capsules, granules, small volume injections, large volume injections of glass bottle, plastic bottle and soft bag), with nearly 500 approval documents being registered. 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.

Currently, the Group’s research and development work mainly fulfills the internal development demands of the Group through conducting independent research and development and cooperation with external research and development institutions. Two pharmaceutical manufacturing subsidiaries of the Group are recognized as high-tech enterprises in Fujian Province and entitled to enjoy preferential corporate income tax treatment for high-tech enterprises. The said subsidiaries currently possess various new drugs and exclusive products with self-owned intellectual property rights, including Tegafur, Gimeracil and Oteracil Potassium Tablets (the “TGOP Tablets” or 替吉奥片, a new drug for anti-gastric cancer), Xiaozheng Yigan Tablets (消症益肝片, an anti-liver-cancer drug), Proteoglycan Tablets (多糖蛋白片, for enhancing the immune system), Biyuan Capsules (鼻淵膠囊, an anti-rhinitis medicine), Amaranth Berberine Capsules (莧菜黃連素膠囊, a drug for acute diarrhea), Perfilled Catheter Flusher (預充式導管沖洗器，a Class lll medical device) and HTK Myocardial Protection Cardioplegic Solution (HTK心肌保護停跳液, a Class lll medical device). During the Reporting Period, Perfilled Catheter Flusher (預充式導管沖洗器), which was co-developed by a relevant subsidiary of the Group and an independent third party, acquired the registration certificate, completed the manufacturing registration procedure and obtained approval for production in mainland China . Currently the market demand for the product is high and its prospect is relatively optimistic.

Under the national policy in relation to quality consistency evaluation for generic drugs promulgated in 2016, appropriate types of medicines were proactively selected by a pharmaceutical manufacturing subsidiary of the Group and the first batch of selected medicines were selected to undergo the quality consistency evaluation for generic drugs in 2016. Currently, one of the selected medicine, Sodium Bicarbonate Tablets, has already passed the consistency evaluation. For details, please refer to the announcement of the Company dated 9 April 2019. The relevant work of quality consistency evaluation for other selected medicines is under orderly progress.

The supply of Tegafur, one of the active ingredients of the Group's new anti-cancer drug TGOP Tablets, has been tight across the PRC since the year 2018. Manufacturers of TGOP products (including capsules and tablets) in the PRC have been affected to various extents. During the Reporting Period, the Group already found source of Tegafur supply and the impact on the production and sales of TGOP Tablets caused by insufficient Tegafur supply has been mitigated.

Under the impact of national policies, there is further pressure on the operation of pharmaceutical manufacturing enterprises. Meanwhile, the profit margin of the sales and manufacturing business of the Group has further decreased due to decrease in the selling price of the drugs, increase in the price of active ingredients, higher quality requirement for drugs, increased investment in the pharmaceutical enterprise drug quality assurance system and the increasing expenses for drug re-registration and quality consistency evaluation. During the Reporting Period, the Group proactively responded to the national pharmaceutical policies and policies in key areas such as Fujian Province, adopted flexible and diversified marketing strategies based on the ever changing market situation and thus increased the sales revenue of the manufacturing and selling of medicines business of the Group.

The production lines for 15 dosage forms of a Chinese medicine manufacturing subsidiary of the Company acquired the Pharmaceutical GMP Certificate upon recertification inspection and having compiled with the requirements of Chinese Good Manufacturing Practices for Pharmaceutical Products (《藥品生產質量管理規範》) after the previous certificate had expired. For details, please refer to the announcement of the Company dated 23 January 2019. In addition, 6 production lines of another medicine manufacturing subsidiary of the Company also acquired the Pharmaceutical GMP Certificates upon inspection and having compiled with the requirements of Chinese Good Manufacturing Practices for Pharmaceutical Products (《藥品生產質量管理規範》). Among the 6 production lines, 5 production lines are existing production lines which the Group has obtained recertification before expiration of the previous certificates, and 1 production line was newly-built, passing the Pharmaceutical GMP Certification for the first time. For details, please refer to the announcement of the Company dated 4 November 2019.

During the Reporting Period, two second-tier subsidiaries of the Group, which are located in Lianjiang County, Fuzhou, Fujian Province, started the cancellation of registration, for they had no practical business operation since the resumption of the relevant lands by government in 2017.

Purchase and Sales of Medicines and Healthcare Food Products

Currently, the main products distributed by the Group are medicines and healthcare food products, which include 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 (中國製藥•品牌榜銳榜) sponsored by Menet (previously known as China Pharmaceutical Economic Information Network).

During the Reporting Period, the purchase and sales of medicines and healthcare food products business continued to grow. Among which, the sales volume through large-sized and medium-sized chain drugstores continued to grow due to reasons such as the increase in demand in domestic pharmaceutical retail and healthcare food products market, the increase in the number of products and categories distributed by the Group, the adoption of a flexible and diversified sales policy, and an in-depth optimization of the sales force etc. Following the extensive promotion and in-depth implementation of "two invoice system" (兩票制) and "one invoice system" (一票制) in the PRC, the business of selling drugs to ultimate medical institutions through professional sales promotion companies has passed its adjustment and transformation period and it is gradually recovering and taking on an increasing momentum.

In order to reduce the layers of intermediary within the distribution of pharmaceutical products, the PRC government has actively implemented "two invoice system" (兩票制) throughout the country and "one invoice system" (一票制) in certain provinces. Due to the impact of such policies, certain pharmaceutical products which were originally distributed through the Group are now required, in some provinces, to be directly supplied to hospitals or ultimate distributors by the pharmaceutical manufacturing enterprises. To adapt to the new policy environment, the Group has transformed relevant business into a pharmaceutical product sales management service business based on the existing purchase and sales business model and the needs of end-use consumers and manufacturing enterprises.

To ensure the normal operation of business, a subsidiary of the Company, which mainly engages in the purchase and sales of medicines and healthcare food products business, carried out the re-certification work in advance before its Pharmaceutical GSP Certificate expired. Upon inspection and having complied with the requirements of Chinese Good Supply Practices for Pharmaceutical Products (《藥品經營質量管理規範》), the subsidiary obtained a new Pharmaceutical GSP Certificate during the Reporting Period. For details, please refer to the announcement of the Company dated 7 August 2019.

To fulfill the business demand, a subsidiary of the Company, which mainly engages in the purchase and sales of medicines and healthcare food products business, set up two small-sized subsidiaries respectively in Xianning, Hubei Province and Jilin, Jilin Province during the Reporting Period and shortly after the Reporting Period.

FINANCIAL REVIEW

The Group's revenue during the Reporting Period was approximately RMB763,892,000, representing an increase of approximately 22.15% from approximately RMB625,361,000 for the corresponding period of last year. In relation to the Group's revenue, approximately RMB376,894,000, which amounted to approximately 49.34% of the Group's total revenue, was derived from the manufacturing and selling of medicines segment, while approximately RMB386,998,000, which amounted to approximately 50.66% of the Group's total revenue, was derived from the sales and distribution of medicines and healthcare products segment. During the Reporting Period, the Group's revenue from the manufacturing and selling of medicines segment increased by approximately 15.46% as compared with the corresponding period of last year, while the revenue of the sales and distribution of medicines and healthcare products segment increased by approximately 29.46%. Thereby the total revenue of the Group resulted in an overall increase. A portion of the Group's revenue under the sales and distribution of medicines and healthcare products derived from sales management services of pharmaceutical products in the Reporting Period was approximately RMB4,318,000, which amounted to approximately 1.12% of the revenue of the sales and distribution of medicines and healthcare products segment.

During the Reporting Period, the Group's gross profit margin was approximately 61%, representing an increase of approximately 3 percentage points from approximately 58% for the corresponding period of last year. The increase of gross profit margin was mainly attributable to the fact that (1) the Group raised the prices of some products, which are relatively highly competitive; and (2) the sales of the high-margin products increased as compared with that of the corresponding period of last year.

The Group's gross profit during the Reporting Period was approximately RMB467,861,000, representing an increase of approximately 28.12% from approximately RMB365,173,000 for the corresponding period of last year. The increase was mainly attributable to the increase in the Group's total revenue and gross profit margin.

During the Reporting Period, the Group's selling and distribution expenses were approximately RMB347,353,000, representing an increase of approximately 30.10% from approximately RMB266,993,000 for the corresponding period of last year. The increase in selling and distribution expenses was mainly due to the expansion of the sales scale and the adjustment of sales structure of the Group.

The Group's administrative expenses for the Reporting Period were approximately RMB44,922,000, representing an increase of approximately 14.43% from approximately RMB39,257,000 for the corresponding period of last year. The increase was mainly due to the increase in labour costs of the Group.

During the Reporting Period, the Group's other operating expenses (including the research and development costs) amounted to approximately RMB30,829,000, representing an increase of approximately 5.88% from approximately RMB29,117,000 for the corresponding period of last year. The increase was mainly because the research and development costs of the Group increased as compared with the corresponding period of last year.

The Group's finance costs for the Reporting Period amounted to approximately RMB1,041,000, representing a decrease of approximately 20.41% as compared with approximately RMB1,308,000 of the corresponding period of last year. The average bank loan principal of the Group during the Reporting Period decreased as compared with the corresponding period of last year and therefore the finance costs decreased accordingly.

For the reasons above, the Group's profit after tax increased from approximately RMB31,772,000 for the corresponding period of last year to approximately RMB40,513,000 for the Reporting Period, representing an increase of approximately 27.51%. Profit attributable to the owners of the Company increased from approximately RMB28,111,000 for the corresponding period of last year to approximately RMB36,226,000 for the Reporting Period, representing an increase of approximately 28.87%.

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 2019, the Group's total 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 2019, the total banking facility was utilized to the extent of RMB30,000,000, and thus the short-term bank borrowings of RMB30,000,000 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 2019, 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 2019, 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/Supervisor/ 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	11,498,793	0.42%
Ms. Yu Lin *(Note (c))*	Beneficial owner	Personal	Neptunus Bio-engineering	1,100,000	0.04%
Mr. Zhao Wen Liang *(Note (d))*	Beneficial owner	Personal	Neptunus Bio-engineering	350,000	0.01%
Ms. Mu Ling Xia *(Note (e))*	Beneficial owner	Personal	Neptunus Bio-engineering	306,000	0.01%
Ms.Cao Yang *(Note (f))*	Beneficial owner	Personal	Neptunus Bio-engineering	200,000	0.01%

Notes:

(a) Mr. Zhang Feng, chairman of the Board and deputy chairman of the 8th session of the board of directors, president and non-independent director 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 deputy chairman and non-independent director of the 8th session of the board of directors of Neptunus Bio-engineering, was beneficially interested in approximately 0.42% 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 0.04% 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. Zhao Wen Liang, non-executive Director of the Company and non-independent director of the 8th session of the board of director of Neptunus Bio-engineering, was beneficially interested in approximately 0.01% 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) Ms. Mu Ling Xia, vice general manager of the Company, was beneficially interested in approximately 0.01% 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. Cao Yang, employee representative supervisor and senior human resources manager of the integrated management department of the Company, was beneficially interested in approximately 0.01% 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 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 2019, 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 2019, 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 2019, 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 all the domestic shares	Approximate percentage of the Company's issued share capital
Neptunus Bio-engineering *(Note (a))*	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") *(Note (b))*	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") *(Note (c))*	Interest in controlled corporation	1,233,464,500	98.52%	73.51%
Mr. Zhang Si Min *(Note (d))*	Interest in controlled corporation	1,233,464,500	98.52%	73.51%

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 44.03% 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 44.03% 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 44.03% of the entire issued share capital of Neptunus Bio-engineering.

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 2019.

PURCHASE, SALES 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 (previously known as Growth Enterprise Market):

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 and have complied with the required standard of dealings and code of conduct regarding securities transactions by the Directors 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, 7 November 2019

As at the date of this announcement, 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*