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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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.

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This announcement, 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 GEM 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 announcement 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 announcement misleading.

* *For identification purpose only*

INTERIM RESULTS (UNAUDITED)

The board of Directors (the "Board") of the Company is pleased to present the condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2018 (the "Reporting Period"), together with the unaudited comparative figures for the corresponding period of 2017.

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

For the three months and six months ended 30 June 2018

		For the three months ended 30 June		For the six months ended 30 June	
		2018	2017	**2018**	2017
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue	4	**200,943**	188,031	**405,617**	347,786
Cost of sales		**(86,089)**	(92,566)	**(176,497)**	(174,510)
Gross profit		**114,854**	95,465	**229,120**	173,276
Other revenue	4	**4,244**	3,227	**6,108**	3,972
Other net income	4	**1,071**	598	**3,294**	882
Selling and distribution expenses		**(94,943)**	(65,377)	**(172,944)**	(107,019)
Administrative expenses		**(10,773)**	(10,637)	**(24,445)**	(23,421)
Other operating expenses		**(10,434)**	(6,577)	**(18,161)**	(12,336)
Profit from operations		**4,019**	16,699	**22,972**	35,354
Finance costs	7(a)	**(281)**	(937)	**(660)**	(1,674)
Profit before taxation	7	**3,738**	15,762	**22,312**	33,680
Income tax expenses	8	**(648)**	(2,955)	**(4,600)**	(6,658)
Profit and total comprehensive income for the period		**3,090**	12,807	**17,712**	27,022
Profit and total comprehensive income for the period attributable to:					
Owners of the Company		**2,414**	10,522	**15,141**	22,473
Non-controlling interests		**676**	2,285	**2,571**	4,549
		3,090	12,807	**17,712**	27,022
Earnings per share for profit attributable to the owners of the Company during the period					
Basic and diluted	10	**RMB0.14 cents**	RMB0.63 cents	**RMB0.90 cents**	RMB1.34 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2018

	Notes	**At 30 June 2018 (Unaudited) RMB'000**	At 31 December 2017 (Audited) RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	**128,921**	121,968
Prepaid lease payments		**60,094**	60,879
Intangible assets		**109,032**	111,008
Deposit for acquisition of property, plant and equipment		**2,887**	4,425
Deferred tax assets		**1,536**	1,719
		302,470	299,999
Current assets			
Inventories		**138,952**	146,468
Trade and other receivables	12	**215,907**	203,041
Principal protected deposit	14	**166,840**	–
Cash and cash equivalents		**182,411**	350,724
		704,110	700,233
Current liabilities			
Trade and other payables	13	**131,497**	176,949
Contract liabilities		**14,253**	–
Interest-bearing bank borrowings	15	**60,000**	30,000
Entrusted loans from the immediate parent company		**9,000**	9,000
Deferred revenue		**401**	401
Current taxation		**4,454**	13,220
		219,605	229,570
Net current assets		**484,505**	470,663
Total assets less current liabilities		**786,975**	770,662

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) (CONTINUED)

As at 30 June 2018

	Notes	**At 30 June 2018 (Unaudited) RMB'000**	At 31 December 2017 (Audited) RMB'000
Non-current liabilities			
Deferred revenue		**2,144**	3,212
Deferred tax liabilities		**17,351**	17,682
		19,495	20,894
Net assets		**767,480**	749,768
EQUITY			
Equity attributable to owners of the Company			
Share capital		**167,800**	167,800
Reserves		**497,190**	482,049
Total		**664,990**	649,849
Non-controlling interests		**102,490**	99,919
Total equity		**767,480**	749,768

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2018

	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 2017 (audited)	167,800	554,844	(188,494)	43,749	21,693	599,592	99,947	699,539
Change in equity for 2017								
Profit and total comprehensive income for the period	–	–	–	–	22,473	22,473	4,549	27,022
At 30 June 2017 (unaudited)	167,800	554,844	(188,494)	43,749	44,166	622,065	104,496	726,561
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	**–**	**–**	**–**	**–**	**15,141**	**15,141**	**2,571**	**17,712**
Transfer to other reserves	**–**	**–**	**–**	**(263)**	**263**	**–**	**–**	**–**
At 30 June 2018 (unaudited)	**167,800**	**554,844**	**(188,494)**	**48,356**	**82,484**	**664,990**	**102,490**	**767,480**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL	**27,693**	43,764
CHANGES IN WORKING CAPITAL		
Decrease/(increase) in Inventories	**6,510**	(38,751)
(Increase)/decrease in trade and other receivables	**(13,062)**	12,313
(Decrease)/increase in trade and other payables and contract liabilities	**(31,199)**	3,068
CASH (USED IN)/GENERATED FROM OPERATIONS	**(10,058)**	20,398
Income tax paid-The People's Republic of China	**(13,514)**	(14,067)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	**(23,572)**	6,327
INVESTING ACTIVITIES		
Deposit for acquisition of property, plant and equipment	**(6,692)**	(1,289)
Payment for purchase of property plant and equipment	**(5,437)**	(4,049)
Proceeds from disposal of property, plant and equipment	**3**	38
Increase in principal protected deposit	**(165,000)**	(40,000)
Decrease in fixed deposits	**–**	4,000
Interest received	**3,045**	1,695
NET CASH USED IN INVESTING ACTIVITIES	**(174,081)**	(39,605)
FINANCING ACTIVITIES		
Proceeds from interest-bearing borrowings	**30,000**	50,000
Repayment of interest-bearing borrowings	**–**	(50,000)
Interest paid	**(660)**	(1,674)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	**29,340**	(1,674)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(168,313)**	(34,952)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**350,724**	325,195
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**182,411**	290,243
ANALYSIS OF CASH AND CASH EQUIVALENTS AT 30 JUNE		
Bank balances and cash	**182,411**	290,243

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

for the six months ended 30 June 2018

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 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 condensed consolidated financial statements for the six months ended 30 June 2018 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 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 condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2017, except for the adoption of new or amended HKFRSs and the impacts on the condensed consolidated interim financial statements are disclosed in note 3. The condensed consolidated financial statements do not include all the information and disclosures required for annual financial statements, and should be read in conjunction with the financial statements of the Group for the year ended 31 December 2017.

This condensed consolidated interim financial statements for the period ended 30 June 2018 comprises the Company and its subsidiaries.

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

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

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES

(a) New and amended HKFRSs adopted as at 1 January 2018

In the current period, the Group has applied for the first time the new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's condensed consolidated financial statements for the annual period beginning on 1 January 2018.

Other than as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 and the related clarification to HKFRS 15 (hereinafter referred to as "HKFRS 15") presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations. HKFRS 15 establishes a single comprehensive model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

HKFRS 15 has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 January 2018. In accordance with the transition guidance, HKFRS 15 has only been applied to contracts that are incomplete as at 1 January 2018.

In summary, the following reclassification was made to the amounts recognised in the condensed consolidated statement of financial position at the date of initial application (1 January 2018):

	Carrying amount on 31 December 2017 under HKAS 18	**Reclassification**	**Carrying amount on 1 January 2018 under HKFRS 15**
	RMB'000	RMB'000	RMB'000
Current liabilities			
Trade and other payables	176,949	(10,085)	166,864
Contract liabilities	–	10,085	10,085

The contract liabilities primarily relate to the receipt in advance of sales of goods, and treated as receipt in advance, for which revenue is recognised when the goods are delivered and the customer has accepted the goods. The full amount of RMB10,085,000 recognised in contract liabilities at the beginning of the period has been recognised as revenue for the six months ended 30 June 2018.

The adoption of HKFRS 15 has no material impact on the Group's condensed consolidated statement of profit or loss and other comprehensive income and the condensed consolidated statement of cash flows.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) New and amended HKFRSs adopted as at 1 January 2018 (Continued)

HKFRS 9 "Financial instruments"

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" model for the impairment of financial assets.

When adopting HKFRS 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of HKFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

The adoption of HKFRS 9 has impacted the following areas:

- for trade receivables and amount due from related parties (trade nature), the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component.

- for other receivables and amount due from related parties (non-trade nature), the Group recognising lifetime expected credit losses as these items do not have a significant financing component.

The adoption of HKFRS 9 do not have significant impact to the Group's condensed consolidated financial statements.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out in note 3(c)(ii).

(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 has commenced an assessment of the impact of these new standards and amendments, but is not yet in a position to state whether they would have a significant impact on its results and financial position.

Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's condensed consolidated financial statements.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Issued but not yet effective HKFRSs (Continued)

HKFRS 16 "Leases"

HKFRS 16 will replace HKAS 17 "Leases" and three related Interpretations.

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee would recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases of land and buildings and other assets which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the condensed consolidated statement of profit or loss and other comprehensive income over the period of the lease. As disclosed in note 16(b), as at 30 June 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to approximately RMB3,246,000 for office premises, the majority of which is payable either between 1 and 2 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies

The Interim Financial Information 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 2017, except for the effects of applying HKFRS 15 and HKFRS 9.

(i) Revenue Recognition

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

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer.

2. Identifying the performance obligations.

3. Determining the transaction price.

4. Allocating the transaction price to the performance obligations.

5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Revenue from manufacturing and selling of medicines and healthcare products for which control of assets is transferred at a point in time is recognised when the goods are delivered to customers. The Group provides sales return polices to customers, and the amount of sales return was insignificant.

Revenue from research and development ("R&D") services income. Revenue recognised when the relevant services have been provided and the Group received the payment or the right to receive payment has been established.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies (Continued)

(ii) Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss ("FVTPL")
- fair value through other comprehensive income ("FVOCI")

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or other income, except for impairment of trade receivables which is presented within other operating expenses.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies (Continued)

(ii) Financial instruments (Continued)

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's trade and other receivables, and cash and bank balances fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model than 'hold to collect' or 'hold to collect and sell', and financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Impairment of financial assets

HKFRS 9's new impairment requirements use more forward-looking information to recognise expected credit losses – the "expected credit loss" ("ECL") model. This replaces HKAS 39's "incurred loss model". Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and other receivables.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies (Continued)

(ii) Financial instruments (Continued)

Subsequent measurement of financial assets (Continued)

Impairment of financial assets (Continued)

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and

- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date. However, none of the Group's financial assets fall into this category.

"12-month expected credit losses" are recognised for the first category while "lifetime expected credit losses" are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The adoption of HKFRS 9 do not have a significant impact to the retained earnings as at 1 January 2018.

Trade receivables and amount due from related parties (trade nature)

The Group makes use of a simplified approach in accounting for trade receivables and amount due from related parties (trade nature) and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group allows 1% for amounts that are between 91 and 180 days past due, 4% for amounts that are more than 181 and 365 days past due, 20% for amounts that are between 1 and 2 years, 50% for amounts that are between 2 and 3 years and 100% for amounts that are over 3 years.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting policies (Continued)

(ii) Financial instruments (Continued)

Subsequent measurement of financial assets (Continued)

Amount due from related parties (non-trade nature) and other receivables

Impairment on amount due from related parties (non-trade nature) and other receivables from third parties are measured as either 12-month expected credit losses or lifetime expected credit losses depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

The Group has concluded that the impact of expected credit losses on these financial asset is insignificant as at 1 January 2018.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under HKFRS 9 compared to HKAS 39, the Group's financial liabilities were not impacted by the adoption of HKFRS 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include interest-bearing bank borrowings, entrusted loans from the immediate parent company, trade and other payables contract liabilities and amounts due to related parties.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges that are reported in profit or loss are included within finance costs.

4. 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 June		For the six months ended 30 June	
	2018	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	RMB'000	**RMB'000**	RMB'000
Revenue				
Manufacturing and selling of medicines	**102,271**	98,323	**213,003**	207,340
Sales and distribution of medicines and healthcare products	**98,672**	89,708	**192,614**	140,446
Research & development ("R&D") services income	**–**	–	**–**	–
	200,943	188,031	**405,617**	347,786

* For the six months ended 30 June 2018, the revenue from sales and distribution of medicines and healthcare products included the revenue from sales management services of pharmaceutical products of approximately RMB14,336,000.

	For the three months ended 30 June		For the six months ended 30 June	
	2018	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other revenue				
Gain on disposal of property, plant and equipment	**–**	–	**–**	12
Interest income from bank deposits	**1,481**	1,119	**2,272**	1,695
Interest income from principal protected deposits	**773**	–	**773**	–
Government subsidy income				
– released from deferred revenue	**100**	101	**1,068**	201
– directly recognised in profit or loss	**–**	234	**17**	280
Change in fair value of financial assets through profit or loss	**1,840**	–	**1,840**	–
Other	**50**	1,773	**138**	1,784
	4,244	3,227	**6,108**	3,972

4. REVENUE AND OTHER REVENUE (CONTINUED)

	For the three months ended 30 June		For the six months ended 30 June	
	2018	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other net income				
Reversal of impairment on trade receivables	**–**	104	**–**	104
Reversal of impairment on other receivables	**108**	98	**108**	98
Reversal of write down of inventories *(Note)*	**220**	63	**2,428**	63
Reversal overprovision of retirement benefit	**–**	270	**–**	540
Net foreign exchange gains	**78**	63	**78**	77
Others	**665**	–	**680**	–
	1,071	598	**3,294**	882

Note:

During the period, the reversal of write down of inventories is mainly due to the inventories' expiration date has expired, therefore the provision of impairment of inventories made in prior years has been reversed.

Therefore, a reversal of write down of inventories of approximately RMB2,428,000 (six-month period ended 30 June 2017: approximately RMB63,000) was recognised in the condensed consolidated statement of profit or loss and other comprehensive income.

5. SEGMENT REPORTING

The Group manages its business by divisions, which are organized by a mixture of both business lines (products and services) and geographical location. In a manner consistent with the way in which information is reported internally to the Group's executive directors for the purpose of resources allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

(i) Manufacturing and selling of medicines;

(ii) Sales and distribution of medicines and healthcare products; and

(iii) Provision of research and development services of modern biological technology.

5. SEGMENT REPORTING (CONTINUED)

Currently all the Group's activities above are carried out in the PRC. No reportable operating segment has been aggregated.

The first segment derives its revenue from the manufacture and sales of medicines.

The second segment derives its revenue from sales and distribution of medicines and healthcare products.

The third segment derives its revenue from the provision of research and development services.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's executive directors monitor the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets. Segment liabilities include all current and non-current liabilities with the exception of tax payable and deferred tax liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segments profit is "adjusted EBT" i.e. "adjusted earnings before taxes. To arrive at adjusted EBT the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' emoluments and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBT, the executive directors are provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

The Group changed the measure for disclosing the reportable segment profit/(loss) from EBITDA to EBT. Therefore, certain comparative figures in the segment reporting have been reclassified.

Information regarding the Group's reportable segments as provided to the Group's executive directors for the purposes of resource allocation and assessment of segment performance for the period ended 30 June 2018 and 30 June 2017 is set out below:

5. SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities (Continued)

For the six months ended 30 June	Manufacturing and selling of medicines		Sales and distribution of medicines and healthcare products		R&D services		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue from external customers	**213,003**	207,340	**192,614**	140,446	**–**	–	**405,617**	347,786
Inter–segment revenue	**16,329**	16,703	**–**	–	**–**	–	**16,329**	16,703
Reportable segment revenue	**229,332**	224,043	**192,614**	140,446	**–**	–	**421,946**	364,489
Reportable segment profit/(loss) (adjusted EBT)	**15,059**	27,460	**10,567**	10,240	**(2,128)**	(2,279)	**23,498**	35,421
Reversal of overprovision of retirement benefits	**–**	–	**–**	540	**–**	–	**–**	540
Impairment on								
– Trade receivables	**(92)**	(129)	**(209)**	(75)	**–**	–	**(301)**	(204)
– Other receivables	**(3)**	–	**–**	(8)	**–**	–	**(3)**	(8)
Reversal impairment on								
– Trade receivables	**–**	–	**–**	104	**–**	–	**–**	104
– Other receivables	**95**	98	**13**	–	**–**	–	**108**	98
Write down of inventories	**(2,423)**	(491)	**(1,011)**	(674)	**–**	–	**(3,434)**	(1,165)
Reversal of write down of inventories	**2,228**	63	**200**	–	**–**	–	**2,428**	63
Income tax expense	**(1,965)**	(4,129)	**(2,635)**	(2,529)	**–**	–	**(4,600)**	(6,658)

5. SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities (Continued)

For the six months ended 30 June	Manufacturing and selling of medicines		Sales and distribution of medicines and healthcare products		R&D services		Total	
	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000	**30 June 2018 (Unaudited) RMB'000**	31 December 2017 (Audited) RMB'000	**30 June 2018 (Unaudited) RMB'000**	31 December 2017 (Audited) RMB'000	**30 June 2018 (Unaudited) RMB'000**	31 December 2017 (Audited) RMB'000
Reportable segment assets	**820,253**	734,733	**156,916**	183,303	**181,319**	184,448	**1,158,488**	1,102,484
Additions to non-current assets during the period/year (other than financial instruments and deferred tax assets)	**18,201**	30,823	**2,133**	3,419	**24**	69	**20,358**	34,311
Reportable segment liabilities	**323,883**	249,704	**34,453**	60,183	**13,756**	14,888	**372,092**	324,775

(b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Revenue		
Reportable segment revenue	**421,946**	364,489
Elimination of inter-segment revenue	**(16,329)**	(16,703)
Consolidated revenue	**405,617**	347,786
Profit		
Reportable segment profit	**23,498**	35,421
Elimination of inter-segment profit	**(538)**	(1,399)
Reportable segment profit derived from the Group's external customers	**22,960**	34,022
Unallocated head office and corporate expense	**(648)**	(342)
Consolidated profit before taxation	**22,312**	33,680

5. SEGMENT REPORTING (CONTINUED)

(b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities (Continued)

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Assets		
Reportable segment assets	**1,158,488**	1,102,484
Elimination of inter-segment receivables	**(153,444)**	(103,971)
	1,005,044	998,513
Deferred tax assets	**1,536**	1,719
Consolidated total assets	**1,006,580**	1,000,232
Liabilities		
Reportable segment liabilities	**372,092**	324,775
Elimination of inter-segment payables	**(154,797)**	(105,213)
	217,295	219,562
Tax payable	**4,454**	13,220
Deferred tax liabilities	**17,351**	17,682
Consolidated total liabilities	**239,100**	250,464

6. SEASONALITY OF OPERATIONS

The Group's business in the manufacturing and selling of medicines, sales and distribution of medicines and healthcare products and provision of research & development services had no specific seasonality factor.

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2018	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	RMB'000	**RMB'000**	RMB'000
(a) Finance costs				
Interest on bank loans	**281**	937	**660**	1,674
Total interest expense on financial liabilities not at fair value through profit or loss	**281**	937	**660**	1,674
(b) Staff costs (including directors' emoluments)				
Salaries, wages and other benefits	**14,718**	14,507	**31,069**	29,065
Contributions to defined contribution retirement plans	**3,162**	3,102	**6,851**	7,120
	17,880	17,609	**37,920**	36,185

7. PROFIT BEFORE TAXATION (CONTINUED)

	For the three months ended 30 June		For the six months ended 30 June	
	2018	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	RMB'000	**RMB'000**	RMB'000
(c) Other Item				
Amortisation				
– Prepaid lease payments				
– charged to unaudited condensed consolidated statement of profit or loss and other comprehensive income	**392**	392	**785**	785
– capitalised in construction-in-progress	**–**	195	**–**	390
	392	587	**785**	1,175
– Intangible assets (Note 1)	**1,023**	1,047	**1,976**	2,075
Depreciation	**3,553**	3,360	**6,704**	6,886
Cost of inventories	**91,201**	87,301	**172,231**	168,647
Research & development costs (Note 1)	**7,358**	4,691	**12,366**	8,649
Operating lease charges:				
minimum lease payment	**290**	1,139	**2,862**	2,863
Impairment on				
– trade receivables (Note 1)	**301**	204	**301**	204
– other receivables (Note 1)	**3**	8	**3**	8
Loss on disposal of property, plant and equipment (Note 1)	**7**	–	**7**	–
Write down of inventories (Note 1 & 2)	**1,675**	392	**3,434**	1,165
Auditor's remuneration				
– other services	**134**	55	**138**	132

Notes:

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

(2) As at 30 June 2018, write down of inventories was approximately RMB3,434,000 (six-month period ended 30 June 2017: approximately RMB1,165,000) were identified and recognised in the condensed consolidated statement of profit or loss and other comprehensive income.

8. INCOME TAX

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

	For the three months ended 30 June		For the six months ended 30 June	
	2018	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current tax				
Provision for PRC Enterprise Income Tax	**735**	3,330	**4,748**	7,140
Deferred tax				
Origination and reversal of temporary differences	**(87)**	(375)	**(148)**	(482)
	648	2,955	**4,600**	6,658

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 (30 June 2017: Nil).

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

The Company and the other PRC subsidiaries are subject to the PRC EIT at a rate of 25% for the Reporting Period (30 June 2017: 25%).

9. DIVIDENDS

The Board does not recommend the payment of any dividend for the Reporting Period (2017: Nil).

10. EARNINGS PER SHARE

Basic earnings per share

For the three-month and six-month periods ended 30 June 2018, the calculation of basic earnings per share was based on the profit attributable to owners of the Company of approximately RMB2,414,000 and RMB15,141,000 respectively (three-month and six-month periods ended 30 June 2017: profit of approximately RMB10,522,000 and RMB22,473,000 respectively) and the weighted average number of 1,678,000,000 ordinary shares in issue for the three-month and six-month periods ended 30 June 2018 (2017: 1,678,000,000 ordinary shares).

Diluted earnings per share

Diluted earnings per share for the three-month and six-month periods ended 30 June 2018 and 2017 equals to basic earnings per share because there were no potential dilutive ordinary shares outstanding during these periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, property, plant and equipment purchased and disposed of by the Group were approximately RMB13,667,000 (30 June 2017: RMB5,237,000) and RMB10,000 (30 June 2017: RMB26,000) respectively.

12. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade and bills receivables, the aging analysis of which, based on the invoice date which approximates the respective revenue recognition dates, is as follows:

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Within 3 months	**92,213**	133,170
More than 3 months but less than 12 months	**81,571**	38,340
Over 12 months	**2,170**	1,186
Trade and bills receivables, net	**175,954**	172,696
Amount due from intermediate parent company	**212**	138
Amount due from fellow subsidiaries	**1,408**	1,897
Amount due from related companies	**9,436**	13,183
Other receivables	**6,917**	3,728
Value-added tax recoverable	**589**	462
Loans and receivables	**194,516**	192,104
Prepayments and deposits	**21,391**	10,937
Less: Non-current assets	**215,907**	203,041

Trade receivables are due within 30-180 days from the date of billing.

13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables, the aging analysis of which, based on the invoice date, is as follows:

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Within 3 months	**31,446**	57,140
4 to 6 months	**7,803**	6,064
7 to 12 months	**33,434**	510
Over 1 year	**1,476**	7,004
Trade and bills payables (Note i)	**74,159**	70,718
Receipts in advances	**–**	13,160
Other payables and accruals	**48,027**	61,793
Amount due to fellow subsidiaries	**9,307**	31,262
Amount due to immediate parent company	**4**	–
Amounts due to related companies	**–**	16
Financial liabilities measured at amortised cost	**131,497**	176,949

14. PRINCIPAL PROTECTED DEPOSIT

The principal protected deposit is the structure deposits stated at fair value through profit or loss earning the minimum return for the range from 1.05% to 4.75% (2017: Nil) interest per annum with maturities from 35 days to 185 days (2017: Nil).

15. INTEREST-BEARING BANK BORROWINGS

	Note	Effective interest rate	Maturity	**30 June 2018 (Unaudited) RMB'000**	31 December 2017 (Audited) RMB'000
Short-term bank loan – secured	(a)	4.35% (2017: 4.35%) 4.35%	Within 1 year	**60,000**	30,000
Interest-bearing bank borrowings repayable:					
Within 1 year or on demand				**60,000**	30,000

Note:

The interest-bearing bank borrowings are carried at amortised cost. All of the Group's borrowings are denominated in RMB.

For the year ended 31 December 2017
At 31 December 2017, the total bank facility was utilised to the extent of RMB30,000,000 and the Group has available utilised banking facilities of RMB70,000,000. The pledged buildings and prepaid lease payments were stated at an aggregate value of approximately RMB33,159,000 and RMB60,879,000 respectively. No bills were issued.

For the period ended 30 June 2018
As at 30 June 2018, the bank facility was fully utilised and loan of RMB60,000,000 was outstanding and pledged buildings and prepaid lease payments were stated at an aggregate value of approximately RMB32,347,000 and RMB60,093,000 respectively. No bills were issued.

16. COMMITMENTS

(a) Capital commitments outstanding at 30 June 2018 not provided for in the financial statements were as follows:

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Property, plant and equipment		
Contracted for, but not provided for:		
Property, plant and equipment	**6,343**	430

(b) At 30 June 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Within 1 year	**1,674**	1,611
After 1 year but within 5 years	**1,572**	2,431
	3,246	4,042

The Group as lessee leases office premises under operating leases arrangements. Leases for the office premises are negotiated for one to three years term. None of the leases includes contingent rental.

17. MATERIAL RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with its related parties during the Reporting Period:

Name of related parties	Relationship	Nature of transaction	Note	For the six months ended 30 June 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Shenzhen Neptunus Group Co., Ltd.	Intermediate parent company	Rental of office	(i)(iii)	**757**	383
Shenzhen Neptunus Bio-engineering Co., Ltd. ("Neptunus Bio-engineering")	Immediate parent company	Sales of goods	(ii)(iii)	**32**	13
Hangzhou Neptunus Bio-engineering Co., Ltd.	Fellow subsidiary	Purchase of goods	(ii)(iii)	**5,943**	6,094
Heilongjiang Province Neptunus Pharmaceutical Company Limited	Fellow subsidiary	Returns of goods	(ii)(iii)	**(123)**	269
Henan Neptunus Baiyue Pharmaceutical Company Limited	Fellow subsidiary	Returns of goods	(ii)(iii)	**(952)**	–
Heilongjiang Neptunus Shukang Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)(v)	**179**	586
Henan Dongsen Pharmaceutical Co., Ltd.	Fellow subsidiary	Sales of goods	(ii)(iii)	**626**	539

17. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The Group had the following material transactions with its related parties during the Reporting Period: (Continued)

Name of related parties	Relationship	Nature of transaction	Note	For the six months ended 30 June 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Henan Neptunus Pharmaceutical Group Company Limited (previosuly known as "Henan Neptunus Yinhe Pharmaceutical Company Limited")	Fellow subsidiary	Sales of goods	(ii)(iii)	**148**	427
Jiamusi Neptunus Pharmaceutical Company Limited	Fellow subsidiary	Returns of goods	(ii)(iii)	**(44)**	387
Heze Neptunus Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**346**	–
Shenzhen Quanyaowang Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**2,128**	–
Shandong Neptunus Yinhe Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**1,264**	1,624
Jiangsu Neptunus Jiankang Bio-technology Company Limited	Fellow subsidiary	Purchase of finished goods	(ii)(iii)	**784**	–

17. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The Group had the following material transactions with its related parties during the Reporting Period: (Continued)

Name of related parties	Relationship	Nature of transaction	Note	For the six months ended 30 June 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Shenzhen Neptunus Jiankang Technology Development Company Ltd. ("Neptunus Jiankang")	Fellow subsidiary	Purchase of goods	(ii)(iii)	**3,829**	3,082
		Sales of goods	(ii)(iii)	**3**	24
Shenzhen Neptunus Pharmaceutical Co., Ltd. ("Neptunus Pharmaceutical")	Fellow subsidiary	Purchase of finished goods	(ii)(iii)	**37,531**	31,622
		Services fee		**14,336**	–
Guangdong Neptunus Pharmaceutical Group Company Limited (previously known as "Guangdong Neptunus Longkang Medical Technology Services Company Ltd.")	Fellow subsidiary	Sales of goods	(ii)(iii)	**308**	–
Guangxi Neptunus Yinhe Pharmaceutical Company Limited	Fellow subsidiary	Returns of goods	(ii)(iii)	**(153)**	–
Shenzhen Neptunus Canyu Shiye Company Limited	Fellow subsidiary	Purchase of finished goods	(ii)(iii)	**43**	–
Neptunus Baicaotang Pharmaceutical Company Limited	Fellow subsidiary	Purchase of finished goods	(ii)(iii)	**70**	–

17. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The Group had the following material transactions with its related parties during the Reporting Period: (Continued)

Name of related parties	Relationship	Nature of transaction	Note	For the six months ended 30 June 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Sichuan Neptunus Jinren Pharmaceutical Group Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**175**	–
Anyang Hengfeng Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**108**	–
Pingdingshan Neptunus Yinhe Pharmaceutical Sales Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**38**	–
Henan Neptunus Kangrui Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**249**	–
Henan Dejitang Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**130**	–
Guangxi Guilin Neptunus Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**118**	–
Bozhou Neptunus Yinhe Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**86**	–
Neptunus (Shaoguan) Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**39**	–

17. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The Group had the following material transactions with its related parties during the Reporting Period: (Continued)

Name of related parties	Relationship	Nature of transaction	Note	For the six months ended 30 June 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Heyuan Kangchengtang Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**42**	–
Neptunus (Wuhan) Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**36**	–
Hubei Neptunus Pharmaceutical Group Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**67**	–
Changsha Neptunus Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**93**	–
Sulu Neptunus Pharmaceutical Group Company Limited ("Sulu Neptunus") (previously known as "Zaozhuang Yinhai Pharmaceutical Co., Ltd.")	Fellow subsidiary	Sales of goods	(ii)(iii)	**453**	86
Shenzhen Neptunus Jiankang Shiye Company Limited	Fellow subsidiary	Purchase of goods	(ii)(iii)	**498**	541
		Sales of goods		**37**	–

17. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The Group had the following material transactions with its related parties during the Reporting Period: (Continued)

Name of related parties	Relationship	Nature of transaction	Note	For the six months ended 30 June	
				2018	2017
				(Unaudited)	(Unaudited)
				RMB'000	RMB'000
Jining Neptunus Huasen Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**189**	–
Jiangsu Nepstar Pharmaceutical Company Limited	Related company	Sales of goods	(ii)(iv)	**826**	–
Shenzhen Nepstar Pharmaceutical Co., Ltd.	Related company	Sales of goods	(ii)(iv)	**5,452**	5,971

Notes:

(i) The rental of office was charged at pre-agreed rate with reference to market prices.

(ii) The purchase, sales and processing income received were transacted in the ordinary course of business.

(iii) The ultimate parent company of these related parties is also the ultimate parent company of the Group.

(iv) The director of the immediate parent company, Mr. Zhang Si Min is also the director of the ultimate parent company of the related company. The income received were transacted in the normal course of business.

(v) The company was no longer the related company of the Group since 23 April 2018.

17. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties

Name of related parties	Note	Amounts owed by related parties as at 30 June 2018 (Unaudited) RMB'000	Amounts owed by related parties as at 31 December 2017 (Audited) RMB'000	Amounts owed to related parties as at 30 June 2018 (Unaudited) RMB'000	Amounts owed to related parties as at 31 December 2017 (Audited) RMB'000
Entrusted loan from the immediate parent company	(i)	**–**	–	**9,000**	9,000
Amount due to the immediate parent company		**–**	–	**4**	–
Amount due from intermediate parent company		**212**	138	**–**	–
Amount due from/to fellow subsidiaries:					
Neptunus Pharmaceutical		**–**	–	**5,718**	27,370
Neptunus Jiankang		**–**	–	**1,200**	2,348
Shandong Neptunus Yinhe Pharmaceutical Company Limited		**–**	96	**125**	–
Henan Dongsen Pharmaceutical Company Limited		**293**	235	**–**	–
Hangzhou Neptunus Bio-engineering Company Limited		**–**	–	**196**	1,403

17. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties (Continued)

Name of related parties	Note	Amounts owed by related parties as at 30 June 2018 (Unaudited) RMB'000	Amounts owed by related parties as at 31 December 2017 (Audited) RMB'000	Amounts owed to related parties as at 30 June 2018 (Unaudited) RMB'000	Amounts owed to related parties as at 31 December 2017 (Audited) RMB'000
Amount due from/to fellow subsidiaries: (Continued)					
Anhui Neptunus Yinhe Pharmaceutical Company Limited		**–**	–	**–**	5
Henan Neptunus Baiyue Pharmaceutical Company Limited		**42**	15	**–**	–
Jiamusi Neptunus Pharmaceutical Company Limited		**18**	70	**–**	–
Hubei Neptunus Deming Pharmaceutical Company Limited		**10**	20	**–**	–
Hubei Neptunus Pharmaceutical Group Company Limited (previously known as "Hubei Neptunus Pharmaceutical Company Limited")		**–**	6	**9**	–
Henan Neptunus Pharmaceutical Group Company Limited		**–**	12	**109**	–
Heilongjiang Province Neptunus Pharmaceutical Company Limited		**–**	72	**–**	–

17. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties (Continued)

Name of related parties	Note	Amounts owed by related parties as at 30 June 2018 (Unaudited) RMB'000	Amounts owed by related parties as at 31 December 2017 (Audited) RMB'000	Amounts owed to related parties as at 30 June 2018 (Unaudited) RMB'000	Amounts owed to related parties as at 31 December 2017 (Audited) RMB'000
Amount due from/to fellow subsidiaries: (Continued)					
Guangxi Neptunus Yinhe Pharmaceutical Company Limited		**28**	323	**–**	–
Sulu Neptunus Pharmaceutical Group Company Limited (previously known as "Zaozhuang Yinhai Pharmaceutical Company Limited")		**198**	179	**–**	–
Shenzhen Neptunus Jiankang Shiye Company Limited		**22**	–	**–**	70
Shenzhen Quanyaowang Pharmaceutical Company Limited		**–**	528	**1,454**	–
Jiangsu Neptunus Jiankang Bio-technology Company Limited		**520**	245	**–**	–
Yichang Neptunus Yinhe Pharmaceutical Company Limited		**5**	5	**–**	–
Anyang Hengfeng Pharmaceutical Company Limited		**167**	91	**–**	–

17. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties (Continued)

Name of related parties	Note	Amounts owed by related parties as at 30 June 2018 (Unaudited) RMB'000	as at 31 December 2017 (Audited) RMB'000	Amounts owed to related parties as at 30 June 2018 (Unaudited) RMB'000	as at 31 December 2017 (Audited) RMB'000
Amount due from/to fellow subsidiaries: (Continued)					
Henan Neptunus Kangrui Pharmaceutical Company Limited		**–**		**–**	4
Changsha Neptunus Pharmaceutical Company Limited		**–**		**26**	26
Neptunus Baicaotang Pharmaceutical Company Limited		**–**		**108**	31
Neptunus Jianchang (Beijing) Medical Devices Company Limited		**–**		**5**	5
Sichuan Neptunus Jinren Pharmaceutical Group Company Limited		**63**	–	**–**	–
Shenzhen Neptunus Property Management Company Limited		**12**	–	**–**	–
Jilin Neptunus Jiankang Bio-technology Company Limited		**–**	–	**13**	–
Nanning Neptunus Jiankang Bio-technology Company Limited		**–**	–	**3**	–
Henan Dongsen Pharmaceutical Company Limited Puyang Branch		**–**	–	**8**	–

17. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties (Continued)

Name of related parties	Note	Amounts owed by related parties as at 30 June 2018 (Unaudited) RMB'000	as at 31 December 2017 (Audited) RMB'000	Amounts owed to related parties as at 30 June 2018 (Unaudited) RMB'000	as at 31 December 2017 (Audited) RMB'000
Amount due from/to fellow subsidiaries: (Continued)					
Shantou Yuankang Pharmaceutical Company Limited		–	–	136	–
Shenzhen Hongyang Property Management Limited		30	–	–	–
Zhuzhou Neptunus Medical Instruments Company Limited		–	–	3	–
Bozhou Neptunus Yinhe Pharmaceutical Company Limited		–	–	2	–
Anhui Neptunus Pharmaceutical Group Company Limited		–	–	5	–
Neptunus (Maoming) Pharmaceutical Company Limited		–	–	9	–
Guangdong Neptunus Pharmaceutical Group Company Limited		–	–	69	–
Neptunus (Zhanjiang) Pharmaceutical Company Limited		–	–	109	–
		1,408	1,897	9,307	31,262

17. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties (Continued)

Name of related parties	Note	Amounts owed by related parties as at 30 June 2018 (Unaudited) RMB'000	Amounts owed by related parties as at 31 December 2017 (Audited) RMB'000	Amounts owed to related parties as at 30 June 2018 (Unaudited) RMB'000	Amounts owed to related parties as at 31 December 2017 (Audited) RMB'000
Amount due from/to related companies:					
Shenzhen Nepstar Pharmaceutical Co., Ltd.		**8,309**	13,153	**–**	–
Jilin Neptunus Jiankang Bio-technology Company Limited		**–**	–	**–**	13
Shenzhen Hongyang Property Management Limited		**–**	30	**–**	–
Nanning Neptunus Jiankang Bio-technology Company Limited		**–**	–	**–**	3
Jiangsu Nepstar Pharmaceutical Company Limited		**1,127**	–	**–**	–
		9,436	13,183	**–**	16
	(ii)	**11,056**	15,218	**18,311**	40,278

Notes:

The balances with these related companies are unsecured, interest-free and repayable on demand.

(i) On 5 April 2011, the immediate parent company further agreed to extend the repayment date of entrusted loan in the amount of RMB9,000,000 as 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"); and (2) each of the independent non-executive directors was of the opinion that the repayment of such shareholder's entrusted loan would not adversely affect the operations of the Company and/or the implementation of its business objectives as set out in the Prospectus, and the Company would make an announcement in respect of the decision of the independent non-executive directors made under (2); and (3) the Company had a positive cash flow and had retained earnings in the relevant financial year.

17. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties (Continued)

Notes (Continued):

(ii) Reconciliation of the Group's amount due from/to related parties arising from the ordinary course of business which are trade in nature and non-trade nature, considered of the following:

	Amounts owed by related parties		Amounts owed to related parties	
	as at 30 June 2018 (Unaudited) RMB'000 Note (a)	as at 31 December 2017 (Audited) RMB'000 Note (a)	**as at 30 June 2018 (Unaudited) RMB'000 Note (b)**	as at 31 December 2017 (Audited) RMB'000 Note (b)
Trade nature				
Amount due from/to fellow subsidiaries	**1,374**	1,897	**7,473**	31,262
Amount due from/to related companies	**9,436**	13,153	**–**	16
	10,810	15,050	**7,473**	31,278
Non-trade nature				
Entrusted loan from the immediate parent company	**–**	–	**9,000**	9,000
Amount due to immediate parent company	**–**	–	**4**	–
Amount due from intermediate parent company	**212**	138	**–**	
Amount due from/to fellow subsidiaries	**34**	–	**1,834**	–
Amount due to related companies	**–**	30	**–**	–
	246	168	**10,838**	9,000
	11,056	15,218	**18,311**	40,278

17. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties (Continued)

Note:

(a) The aging analysis of amount due from related parties arising from the ordinary course of business which are trade in nature and based on invoice date is as follows:

	As at 30 June 2018 (Unaudited) RMB'000	As at 31 December 2017 (Audited) RMB'000
Within 3 months	**4,016**	10,168
More than 3 months but less than 12 months	**6,794**	4,794
Over 12 months	**–**	88
	10,810	15,050

(b) The aging analysis of amount due to related parties arising from the ordinary course of business which are trade in nature and based on invoice date is as follows:

	As at 30 June 2018 (Audited) RMB'000	As at 31 December 2017 (Audited) RMB'000
Within 3 months	**7,369**	31,247
More than 3 months but less than 12 months	**99**	31
Over 12 months	**5**	–
	7,473	31,278

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 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 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.

Currently, the Group's research and development work is mainly serving by the way of independent research and development and cooperation with external research and development institutions to meet the internal development demands of the Group. 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" 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 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) and HTK Myocardial Protection Cardioplegic Solution (HTK心肌停跳液, a Class III medical device).

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 was selected to undergo the quality consistency evaluation for generic drugs in 2016, and the relevant work is under orderly progress.

The sales of the Group's new anti-cancer drug TGOP Tablets were good in 2017 and the first quarter of 2018. However, as the supply of Tegafur, one of the active ingredients of TGOP Tablets, is tight across China in 2018, manufacturers of TGOP products (including capsules and tablets) in China are affected to various extents. During the Reporting Period, the production of TGOP Tablets by relevant pharmaceutical manufacturing subsidiary of the Group is also affected. Currently, the Group is actively seeking new source of Tegafur supply and striving for mitigation of the impact on production and sales of TGOP Tablets due to the shortage of active ingredient soonest.

Under the impact of national policies, hospitals restrict the use of antibiotics and gradually eliminate outpatient transfusion, together with more intensified drug tender competition and stricter inspections of drug production and quality. As a result, there is further pressure on the operation of pharmaceutical manufacturing enterprises. Meanwhile, as the results of tendering process in some regions were unsatisfactory in 2017 and relevant pharmaceutical manufacturing subsidiary of the Group proactively implemented the "limiting production to guarantee quality" measure, product sales of the sales and manufacturing business of the Group decreased during the Reporting Period. In addition, the profit margin of the sales and manufacturing business of the Group further decreased due to decrease in price of drugs, increase in price of active ingredients, higher quality requirement for drugs, increased investment in drug quality assurance system, increasing expenses for drug re-registration and quality consistency evaluation and other causes. In the second half of 2018, the Group will proactively keep up with national pharmaceutical policies and policies in key areas such as Fujian Province, make proper arrangements for the next round of bidding and actively expand the product sales network, thereby restrict and reverse the decrease in sales volume and endeavour to strike a balance of the short-term results and long-term development of relevant pharmaceutical manufacturing subsidiaries.

The Pharmaceutical GMP Certificate of a production line for large volume injections owned by a relevant pharmaceutical manufacturing subsidiary of the Group was withdrawn in the middle of August 2017. The subsidiary has re-applied for the pharmaceutical GMP certification after making strict rectification and re-obtained the Pharmaceutical GMP Certificate during the Reporting Period after meeting the pharmaceutical GMP requirements upon site inspection.

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 and medium-sized chain drugstores continued to grow due to reasons such as the increase in demands in domestic pharmaceutical retail and healthcare food products market, the 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, the marketing model of drugs that were sold to ultimate medical institutions through professional sales promotion companies is still subject to adjustment. The overall sales revenue of the purchase and sales of medicines and healthcare food products business recorded a sustained growth.

In order to reduce the intermediary in pharmaceutical circulation, the PRC government has actively implemented "two invoice system" (兩票制) throughout the country and "one invoice system" (一票制) in some 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 ultimate distributors by the pharmaceutical manufacturing enterprises. To adapt to the new policy environment, the Group has proactively adjusted its business model, and has started to provide sales management services of pharmaceutical products to relevant pharmaceutical manufacturing enterprises based on the existing purchase and sales business model and the needs of end-use customers and manufacturing enterprises. The Group has been progressively developing such business model.

FINANCIAL REVIEW

The Group's revenue for the Reporting Period was approximately RMB405,617,000, representing an increase of approximately 16.63% from approximately RMB347,786,000 for the corresponding period of last year. For the revenue, approximately RMB213,003,000 which amounted to approximately 52.51% of the revenue was derived from the manufacturing and selling of medicines segment, while approximately RMB192,614,000 which amounted to approximately 47.49% of the revenue was derived from the sales and distribution of medicines and healthcare products segment. During the Reporting Period, the revenue from the manufacturing and selling of medicines segment slightly increased by approximately 2.73% 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 37.14% as compared with the corresponding period of last year. Thereby the total revenue of the Group had an overall increase. The Group's revenue derived from sales management services of pharmaceutical products in the Reporting Period was approximately RMB14,336,000, which amounted to approximately 7.44% 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 56%, representing an increase of approximately 6 percentage points from approximately 50% for the corresponding period of last year. The increase of gross profit margin was mainly attributable to the fact that (i) with the successive implementation of the "two invoice system"（兩票制）across the country, the sales expenses borne by the manufacturing and selling of medicines segment increased, which led to the increase in prices for certain products. And with the overall promotion and implementation of the "two invoice system"（兩票制）, relevant influence will gradually grow and emerge; and (ii) due to the increase in market prices of certain products, the manufacturing and selling of medicines segment raised the prices of these products accordingly.

During the Reporting Period, the Group's gross profit was approximately RMB229,120,000, representing an increase of approximately 32.23% from approximately RMB173,276,000 for the corresponding period of last year. The increase of gross profit 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 RMB172,944,000, representing an increase of approximately 61.60% from the corresponding period of last year (approximately RMB107,019,000). The increase in selling and distribution expenses was mainly due to (i) increase of the sales scale of the sales and distribution of medicines and healthcare products segment which resulted in increase in sales expenses; (ii) the successive implementation of the "two invoice system" (兩票制) across the country and the implementation of the "one invoice system" (一票制) in Fujian Province which resulted in a significant increase in sales expenses as compared with the corresponding period of last year.

During the Reporting Period, the Group's administrative expenses were approximately RMB24,445,000, representing an increase of approximately 4.37% from approximately RMB23,421,000 for the corresponding period of last year. The increase in administrative expenses was mainly due to: (i) the increase in labour costs of the Group; and (ii) renting of new office caused increase in rent expenses.

During the Reporting Period, the Group's other operating expenses amounted to approximately RMB18,161,000, representing an increase of approximately 47.22% from approximately RMB12,336,000 for the corresponding period of last year. The increase in other operating expenses was mainly due to (i) increase in research and development costs; and (ii) increase in inventory write-off.

During the Reporting Period, the Group's finance costs amounted to approximately RMB660,000, representing a decrease of approximately 60.57% from the corresponding period of last year (approximately RMB1,674,000). During the Reporting Period, the average principal amount of bank loans of the Group decreased as compared with the corresponding period of last year, and finance costs decreased accordingly.

During the Reporting Period, the Group's profit after tax was approximately RMB17,712,000, representing a decrease of approximately 34.45% from approximately RMB27,022,000 for the corresponding period of last year. Profit attributable to the owners of the Company was approximately RMB15,141,000, representing a decrease of approximately 32.63% from approximately RMB22,473,000 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 June 2018, 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 June 2018, the total banking facility was utilized to the extent of RMB60,000,000, and thus the short-term bank borrowings of RMB60,000,000 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 June 2018, 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 June 2018, 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 June 2018, 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 June 2018, 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 June 2018, 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%
Ms. Wang Jin Song (Note (e))	Interest of spouse	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 45.96% 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 45.96% of the entire issued share capital of Neptunus Bio-engineering.

(d) Mr. Zhang Si Min ("Mr. Zhang") was deemed to be interested in 1,233,464,500 domestic shares of the Company, which relate to the same parcel of shares referred to in note (a) above, held by Neptunus Bio-engineering as Mr. Zhang was beneficially interested in 70% of the entire issued share capital of 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 45.96% of the entire issued share capital of Neptunus Bio-engineering.

(e) Ms. Wang Jin Song ("Ms. Wang") was deemed to be interested in 1,233,464,500 domestic shares of the Company, which relate to the same parcel of shares referred to in note (a) above, held by Neptunus Bio-engineering as Ms. Wang is the spouse of Mr. Zhang and was taken to be beneficially interested in any shares held by Mr. Zhang.

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 June 2018.

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. 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, except Rule E.1.2. Under Rule E.1.2, the chairman of the Board, Mr. Zhang Feng, was unable to attend the annual general meeting of the Company held on 25 June 2018 as he was on business trip for other important business engagement. But Mr. Zhang Feng appointed Mr. Liu Zhan Jun to attend the meeting and take the chair for him.

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, 13 August 2018

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*