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 2020

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 midsized 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.

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 unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2020 (the "Reporting Period"), together with the unaudited comparative figures for the corresponding period of 2019.

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

For the three months and six months ended 30 June 2020

		For the three months ended 30 June		For the six months ended 30 June	
		2020	2019	**2020**	2019
		RMB'000	RMB'000	**RMB'000**	RMB'000
	Note	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue	4	**264,699**	258,832	**459,546**	475,715
Cost of sales		**(116,753)**	(93,959)	**(219,746)**	(185,188)
Gross profit		**147,946**	164,873	**239,800**	290,527
Other revenue	4	**5,298**	1,388	**7,150**	4,285
Other net income	4	**1,798**	206	**2,214**	1,834
Selling and distribution expenses		**(111,030)**	(129,383)	**(168,634)**	(218,342)
Administrative expenses		**(14,047)**	(15,488)	**(29,699)**	(29,904)
Other operating expenses		**(20,273)**	(11,046)	**(28,015)**	(20,237)
Profit from operations		**9,692**	10,550	**22,816**	28,163
Finance costs	7(a)	**(268)**	(387)	**(510)**	(656)
Profit before taxation	7	**9,424**	10,163	**22,306**	27,507
Income tax credit/(expenses)	8	**53**	(2,100)	**(3,052)**	(6,127)
Profit and total comprehensive income for the period		**9,477**	8,063	**19,254**	21,380
Profit and total comprehensive income for the period attributable to:					
Owners of the Company		**8,932**	6,430	**18,250**	18,552
Non-controlling interests		**545**	1,633	**1,004**	2,828
		9,477	8,063	**19,254**	21,380
Earnings per share for profit attributable to the owners of the Company during the period					
Basic and diluted	10	**RMB0.53 cents**	RMB0.38 cents	**RMB1.09 cents**	RMB1.11 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2020

	Notes	**At 30 June 2020 RMB'000 (Unaudited)**	At 31 December 2019 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	**152,261**	152,948
Right-of-use asset		**56,954**	61,166
Intangible assets		**85,425**	100,260
Deposit for acquisition of property, plant and equipment		**10,318**	1,066
Deferred tax assets		**2,489**	2,592
		307,447	318,032
Current assets			
Inventories		**113,486**	124,747
Trade and other receivables	12	**227,190**	297,133
Principal protected deposit	14	**212,550**	–
Cash and cash equivalents		**224,030**	384,211
		777,256	806,091
Current liabilities			
Trade and other payables	13	**140,759**	173,795
Contract liabilities		**9,443**	19,426
Interest-bearing bank borrowings	15	**30,000**	30,000
Entrusted loans from the immediate parent company	17(b)	**9,000**	9,000
Deferred revenue		**401**	401
Lease liability		**–**	1,457
Current taxation		**5,512**	10,212
		195,115	244,291
Net current assets		**582,141**	561,800
Total assets less current liabilities		**889,588**	879,832

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

As at 30 June 2020

	Notes	**At 30 June 2020 RMB'000 (Unaudited)**	At 31 December 2019 RMB'000 (Audited)
Non-current liabilities			
Deferred revenue		**1,642**	1,842
Deferred tax liabilities		**11,762**	15,490
Lease liability		**–**	2,570
		13,404	19,902
Net assets		**876,184**	859,930
EQUITY			
Equity attributable to owners of the Company			
Share capital		**167,800**	167,800
Reserves		**607,596**	589,346
Total		**775,396**	757,146
Non-controlling interests		**100,788**	102,784
Total equity		**876,184**	859,930

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2020

	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 2019 (audited)	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	–	–	–	–	18,552	18,552	2,828	21,380
At 30 June 2019 (unaudited)	**167,800**	**554,844**	**(188,494)**	**48,423**	**133,393**	**715,966**	**103,722**	**819,688**
At 1 January 2020 (audited)	167,800	554,844	(188,494)	48,465	174,531	757,146	102,784	859,930
Change in equity for 2020								
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**18,250**	**18,250**	**1,004**	**19,254**
Dividend paid from a subsidiary to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(3,000)**	**(3,000)**
At 30 June 2020 (unaudited)	**167,800**	**554,844**	**(188,494)**	**48,465**	**192,781**	**775,396**	**100,788**	**876,184**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Operating profit before changes in working capital	**45,970**	35,621
Changes in working capital		
Decrease/(Increase) in inventories	**10,398**	(40,772)
Decrease/(Increase) in trade and other receivables	**69,483**	(8,019)
(Decrease)/Increase in trade and other payables and contract liabilities	**(43,019)**	3,428
Cash from/(used in) operations	**82,832**	(9,742)
Income tax paid – The People's Republic of China	**(11,978)**	(14,833)
Net cash generated from/(used in) operating activities	**70,854**	(24,575)
Investing activities		
Deposit for acquisition of property, plant and equipment	**(10,318)**	(2,579)
Addition to other intangible assets	**(821)**	(27)
Payment for purchase of property plant and equipment	**(6,342)**	(10,789)
Proceeds from disposal of property, plant and equipment	**-**	1,562
Increase in principal protected deposit	**(212,550)**	(30,579)
Interest received	**2,506**	3,361
Net cash used in investing activities	**(227,525)**	(39,051)
Financing activities		
Repayment of interest-bearing borrowings	**(30,000)**	–
Proceeds from interest-bearing borrowings	**30,000**	30,000
Interest paid	**(510)**	(543)
Dividend paid to non-controlling interests	**(3,000)**	–
Settlement of lease liability	**–**	(818)
Net cash (used in)/generated from financing activities	**(3,510)**	28,639
Net decrease in cash and cash equivalents	**(160,181)**	(34,987)
Cash and cash equivalents at the beginning of the period	**384,211**	323,577
Cash and cash equivalents at the end of the period	**224,030**	288,590
Analysis of cash and cash equivalents at 30 June		
Bank balances and cash	**224,030**	288,590

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 interim financial statements for the six months ended 30 June 2020 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 interim 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 interim financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2019. 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 2019.

This condensed consolidated interim financial statements for the period ended 30 June 2020 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 interim financial statements are unaudited.

3. ADOPTION OF NEW AND AMENDED HKFRSs

(a) Adoption of new or revised HKFRSs effective on 1 January 2020

During the Reporting Period, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

The adoption of the above amended HKFRSs had no material impact on and the Group's financial position for the current and prior periods have been prepared and presented.

(b) Issued but not yet effective HKFRSs

At the date of authorisation of the Group's condensed consolidated interim financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendment to HKFRS 16	COVID-19 Related Rent Concessions

The directors are currently assessing the possible impact of these amended standards on the Group's results and financial position in the first year of application. The directors consider that these amendments are unlikely to have a material impact to the Group's consolidated financial statements.

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 June		**For the six months ended 30 June**	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue				
Manufacturing and selling of medicines	**112,717**	137,372	**199,482**	242,255
Sales and distribution of medicines and healthcare products*	**151,982**	121,460	**260,064**	233,460
	264,699	258,832	**459,546**	475,715

* For the six months ended 30 June 2020, the revenue from sales and distribution of medicines and healthcare products included the revenue from sales management services of pharmaceutical products of approximately RMB751,000 and manufacturing and selling of medicines including sales of medical devices of approximately RMB34,405,000.

4. REVENUE AND OTHER REVENUE (CONTINUED)

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Other revenue				
Interest income from bank deposits	**807**	966	**1,419**	2,853
Interest income from principal protected deposits	**976**	496	**1,087**	508
Change in fair value of financial assets through profit or loss – principal protected deposit	**1,595**	(319)	**2,550**	579
Government subsidy income				
– released from deferred revenue	**99**	99	**199**	199
– directly recognised in profit or loss	**1,750**	143	**1,760**	143
Other	**71**	3	**135**	3
	5,298	1,388	**7,150**	4,285
Other net income				
Reversal of impairment loss on trade and other receivables	**284**	–	**284**	–
Reversal of write down of inventories (Note)	**253**	148	**669**	1,776
Net foreign exchange gains	**32**	58	**32**	58
Gain on disposal of property, plant and equipment	**330**	–	**330**	–
Others	**899**	–	**899**	–
	1,798	206	**2,214**	1,834

Note:

During the Reporting 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 RMB669,000 (six-month period ended 30 June 2019: approximately RMB1,776,000) 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. In a manner consistent with the way in which information is reported internally to the Group's executive directors, being the chief operation decision maker, 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.

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 and providing sales management services of pharmaceutical 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 current assets and non-current assets with the exception of deferred tax assets. Segment liabilities include all current and non-current liabilities with the exception of current taxation 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 director's emoluments and auditors' fees 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 revenue), impairment loss of trade and other receivables, reverse of impairment of trade and other receivables, write down of inventories, reversal of write down of inventories. Inter-segment revenue are priced with reference to prices charged to external parties for similar orders.

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 2020 and 30 June 2019 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		Research & Development services		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment revenue								
Revenue from external customers	**199,482**	242,255	**260,064**	233,460	**–**	–	**459,546**	475,715
Inter-segment revenue	**13,392**	18,873	**–**	1,911	**–**	–	**13,392**	20,784
Reportable segment revenue	**212,874**	261,128	**260,064**	235,371	**–**	–	**472,938**	496,499
Reportable segment profit/ (loss) (adjusted EBT)	**3,070**	16,483	**21,926**	15,491	**(1,631)**	(2,895)	**23,365**	29,079
Impairment of:								
– trade receivables	**(186)**	(287)	**(434)**	(256)	**–**	–	**(620)**	(543)
– other receivables	**(124)**	(2)	**–**	–	**–**	–	**(124)**	(2)
Reversal impairment loss on:								
– trade receivables	**2**	–	**278**	–	**–**	–	**280**	–
– other receivables	**–**	–	**4**	–	**–**	–	**4**	–
Write down of inventories	**(217)**	(1,082)	**(1,316)**	(1,060)	**–**	–	**(1,533)**	(2,142)
Reversal of write down of inventories	**367**	1,534	**302**	242	**–**	–	**669**	1,776
Income tax credit/(expense)	**2,453**	(2,278)	**(5,505)**	(3,849)	**–**	–	**(3,052)**	(6,127)

5. SEGMENT REPORTING (CONTINUED)

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

	Manufacturing and selling of medicines		Sales and distribution of medicines and healthcare products		Research & Development services		Total	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)	**30 June 2020 RMB'000 (Unaudited)**	31 December 2019 RMB'000 (Audited)	**30 June 2020 RMB'000 (Unaudited)**	31 December 2019 RMB'000 (Audited)	**30 June 2020 RMB'000 (Unaudited)**	31 December 2019 RMB'000 (Audited)
Reportable segment assets	**740,229**	780,686	**274,883**	283,293	**199,814**	189,735	**1,214,926**	1,253,714
Additions to non-current segment assets (other than deferred tax assets) during the period/year	**13,444**	32,862	**992**	570	**8**	43	**14,444**	33,475
Reportable segment liabilities	**258,483**	283,644	**53,089**	73,894	**13,737**	14,484	**325,309**	372,022

5. SEGMENT REPORTING (CONTINUED)

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue	**472,938**	496,499
Elimination of inter-segment revenue	**(13,392)**	(20,784)
Consolidated revenue	**459,546**	475,715
Profit		
Reportable segment profit	**23,365**	29,079
Elimination of inter-segment profit	**(298)**	(785)
Reportable segment profit derived from the Group's external customers	**23,067**	28,294
Unallocated head office and corporate expense	**(761)**	(787)
Consolidated profit before taxation	**22,306**	27,507

5. SEGMENT REPORTING (CONTINUED)

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

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Assets		
Reportable segment assets	**1,214,926**	1,253,714
Elimination of inter-segment receivables	**(132,713)**	(132,183)
	1,082,213	1,121,531
Deferred tax assets	**2,489**	2,592
Consolidated total assets	**1,084,702**	1,124,123
Liabilities		
Reportable segment liabilities	**325,309**	372,022
Elimination of inter-segment payables	**(134,064)**	(133,531)
	191,245	238,491
Current taxation	**5,512**	10,212
Deferred tax liabilities	**11,762**	15,490
Consolidated total liabilities	**208,519**	264,193

5. **SEGMENT REPORTING (CONTINUED)**

(c) **Disaggregation of revenue from contracts with customers**

The Group derives revenue from manufacturing and selling of medicines and healthcare products at a point in time in type of customer:

	Hospital RMB'000 (Unaudited)	**Pharmacy RMB'000 (Unaudited)**	**Others RMB'000 (Unaudited)**	**Total RMB'000 (Unaudited)**
At 30 June 2020				
Manufacturing and selling of medicines	**28,427**	**166,435**	**4,620**	**199,482**
Sales and distribution of medicines and healthcare products	**751**	**259,313**	**–**	**260,064**
	29,178	**425,748**	**4,620**	**459,546**

	Hospital RMB'000 (Audited)	Pharmacy RMB'000 (Audited)	Others RMB'000 (Audited)	Total RMB'000 (Audited)
At 31 December 2019				
Manufacturing and selling of medicines	74,754	408,632	15,751	499,138
Sales and distribution of medicines and healthcare products	179,196	402,537	–	581,733
	253,950	811,169	15,751	1,080,871

6. SEASONALITY OF OPERATIONS

(a) Revenue from major products and services

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, and analysis is as follows:

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Medicines and healthcare products	**424,390**	1,062,186
Sales management services of pharmaceutical products	**751**	5,858
Sales of medical devices	**34,405**	12,827
	459,546	1,080,871

(b) Geographical Information

The Group's revenue and results from operations mainly derived from activities in the PRC. The principal assets of the Group were located in the PRC during the year. Accordingly, no analysis by geographical segment is provided.

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived after (crediting)/charging the following:

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
(a) Finance costs				
Interest on bank loans and other borrowings	**268**	332	**510**	543
Interest on lease liabilities	**–**	55	**–**	113
Total interest expense on financial liabilities not at fair value through profit or loss	**268**	387	**510**	656
(b) Staff costs (including directors' emoluments)				
Salaries, wages and other benefits	**21,982**	21,313	**43,476**	40,992
Contributions to defined contribution retirement plans	**780**	3,722	**3,480**	8,213
	22,762	25,035	**46,956**	49,205
(c) Other Item				
Depreciation of right-of-use assets	**392**	772	**785**	1,546
Amortisation Intangible assets (Note 1)	**1,042**	995	**2,068**	1,988
Depreciation of property, plant and equipment	**4,381**	3,791	**8,425**	7,424
Cost of inventories	**115,094**	93,056	**216,011**	182,132
Research & development costs (Note 1)	**4,865**	9,049	**10,375**	15,486
Impairment on:				
– trade receivables (Note 1)	**612**	543	**620**	543
– other receivables (Note 1)	**101**	2	**124**	2
Impairment loss on intangible assets (Note 1)	**–**	–	**13,588**	–
Loss on disposal of property, plant and equipment (Note 1)	**(64)**	68	**14**	68
Write down of inventories (Note 1 & 2)	**909**	453	**1,533**	2,142
Auditor's remuneration	**–**	–	**–**	–
Auditor's non-audit services remuneration	**220**	248	**252**	278
Lease charges on short-term lease and lease with lease term shorted than 12 months	**1,031**	(150)	**2,424**	986

7. PROFIT BEFORE TAXATION (CONTINUED)

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 2020, write down of inventories was approximately RMB1,533,000 (six-month period ended 30 June 2019: approximately RMB2,142,000) were identified and recognised in the condensed consolidated statement of profit or loss and other comprehensive income.

8. INCOME TAX CREDIT/EXPENSES

Income tax (credit)/expense in the condensed consolidated statement of profit or loss and other comprehensive income represents:

	For the three months ended 30 June		**For the six months ended 30 June**	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Current tax				
Provision for PRC Enterprise Income Tax ("EIT")	**3,381**	2,070	**6,679**	6,170
Deferred tax				
Origination and reversal of temporary differences	**(3,434)**	30	**(3,627)**	(43)
	(53)	2,100	**3,052**	6,127

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 2019: 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 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 (30 June 2019: 25%).

9. DIVIDENDS

The Board does not propose the payment of any dividend for the Reporting Period (2019: Nil).

10. EARNINGS PER SHARE

Basic earnings per share

For the three-month and six-month periods ended 30 June 2020, the calculation of basic earnings per share was based on the profit attributable to owners of the Company of approximately RMB8,932,000 and RMB18,250,000 respectively (three-month and six-month periods ended 30 June 2019: profit of approximately RMB6,430,000 and RMB18,552,000 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 2020 (2019: 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 2020 and 2019 equals to basic earnings per share as 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 RMB14,444,000 (30 June 2019: RMB7,999,000) and RMB6,706,000 (30 June 2019: RMB1,630,000) respectively.

12. TRADE AND OTHER RECEIVABLES

	Note	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Trade receivables		**118,530**	138,439
Less: Expected credit loss ("ECL") allowance		**(2,463)**	(2,205)
		116,067	136,234
Bills receivables	(i)	**47,122**	98,167
		163,189	234,401
Amounts due from fellow subsidiaries	(ii)	**4,674**	1,745
Amounts due from related companies	(ii)	**13,445**	16,864
Amount due from the intermediate parent company	(ii)	**212**	212
Other receivables	(iv)	**11,114**	5,289
Value-added tax recoverable	(iii)	**347**	367
Prepayment and deposits	(iv)	**35,393**	39,319
Less: ECL allowance		**(1,184)**	(1,064)
		64,001	62,732
		227,190	297,133

All of the trade and other receivables classified as current assets are expected to be recovered within one year.

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

(i) As at 30 June 2020, the Group had discounted bank acceptance bills approximately RMB47,122,000 (2019: approximately RMB98,167,000). These bank acceptance bills matured within one year from date of issue. The Group considered the issuing banks of the bills are of good credit quality, therefore, the ECL of these receivables are considered as insignificant.

(ii) The amounts are unsecured, interest-free and repayable within one year.

(iii) Value-added tax recoverable is value-added tax paid by the Group eligible for offsetting value-added tax payable to arise on future revenue streams in accordance with relevant PRC tax laws.

(iv) Other receivables, prepayment and deposits mainly represent deposits prepaid in advance to suppliers of approximately RMB17,553,000 (2019: approximately RMB34,328,000), these ageing within one year, the management have been considered the financial position of those supplier and with closely monitor and communication with the suppliers, the Group considered the impact on ECL to be low, therefore, the impact on ECL is considered as immaterial.

(a) Ageing analysis

Based on the invoice dates, which approximates the respective revenue recognition dates, the ageing analysis of the trade and bills receivables net of ECL allowance, was as follows:

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Within 3 months	**122,563**	157,271
More than 3 months but less than 12 months	**40,061**	75,341
Over 12 months	**565**	1,789
	163,189	234,401

Trade and bills receivables are due within 30-180 days (2019: 30-180 days) from the date of billing.

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Impairment of trade receivables

The movement in the ECL allowance of trade receivables is as follows:

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Balance at 1 January	**2,205**	2,133
ECL allowance recognised during the period/year	**620**	308
Reversal of ECL allowance during the period/year	**(280)**	–
Amount written off during the period/year	**(82)**	(236)
At 30 June/31 December	**2,463**	2,205

(c) Impairment of other receivables

The movement in the ECL allowance of other receivables is as follows:

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Balance at 1 January	**1,064**	1,007
ECL allowance recognised during the period/year	**124**	57
Reversal of ECL allowance during the period/year	**(4)**	–
At 30 June/31 December	**1,184**	1,064

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 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Within 3 months	**40,975**	44,765
4 to 6 months	**9,223**	8,073
7 to 12 months	**2,521**	8,285
Over 1 year	**3,982**	1,555
Trade and bills payables	**56,701**	62,678
Receipts in advances	**3,205**	4,569
Other payables and accruals	**61,364**	92,682
Amount due to fellow subsidiaries	**19,489**	13,850
Amount due to immediate parent company	**–**	16
Financial liabilities measured at amortised cost	**140,759**	173,795

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 4.00% (2019: 1.05% to 4.10%) interest per annum with maturity of from 35 to 198 days (2019: 30 to 182 days).

15. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate	Maturity	**At 30 June 2020 RMB'000 (Unaudited)**	At 31 December 2019 RMB'000 (Audited)
Short-term bank loan				
– secured	4.05% (2019: 4.35%)	Within 1 year	**30,000**	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 2019
At 31 December 2019, the Group have been pledged buildings and prepaid lease payments included in right-of-use assets were stated at an aggregate value of approximately RMB40,140,000 and approximately RMB57,739,000 respectively. The Group has utilised banking facilities of RMB30,000,000 and unutilised banking facilities of RMB70,000,000.

For the period ended 30 June 2020
At 31 December 2020, the Group have been pledged buildings and prepaid lease payments included in right-of-use assets were stated at an aggregate value of approximately RMB38,635,000 and approximately RMB56,954,000 respectively. The Group has utilised banking facilities of RMB30,000,000 and unutilised banking facilities of RMB70,000,000.

16. COMMITMENTS

(a) Capital commitments outstanding at 30 June 2020 authorised and not provided for in the condensed consolidated interim financial statements were as follows:

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Property, plant and equipment		
Contracted for, but not provided for:		
Property, plant and equipment	**1,494**	3,342

(b) As lessee

At 30 June 2020, the lease commitments for short-term leases are payable as follows:

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Within 1 year	**807**	1,681

17. MATERIAL RELATED PARTY TRANSACTIONS

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

Name of related parties	Relationship	Nature of transaction	Note	For the six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Shenzhen Neptunus Group Co., Ltd.	Intermediate parent company	Rental of office	(i)(iii)	**816**	818
Shenzhen Neptunus Bio-engineering Co., Ltd. ("Neptunus Bio-engineering")	Immediate parent company	Sales of goods	(ii)(iii)	**7**	20
Hangzhou Neptunus Bio-engineering Co., Ltd.	Fellow subsidiary	Purchase of goods	(ii)(iii)	**1,541**	4,413
Zhongshan Changjian Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**167**	14
Shenzhen Shenye Medical Development Company Litmited	Fellow subsidiary	Sales of goods	(ii)(iii)	**175**	–
Henan Dongsen Pharmaceutical	Fellow subsidiary	Sales of goods	(ii)(iii)	**177**	447
Henan Neptunus Pharmaceutical Group Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**4**	818
Henan Enji Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**104**	–
Heze Neptunus Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**96**	253

17. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

Name of related parties	Relationship	Nature of transaction	Note	For the six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Shenzhen Quanyaowang Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**3,180**	3,606
		Purchases of goods	(ii)(iii)	**106**	–
		Disposal of fixed assets		**1,177**	–
Shandong Neptunus Yinhe Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**1,615**	1,836
Jiangsu Neptunus Jiankang Bio-technology Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**12**	10
		Purchase of finished goods	(ii)(iii)	**2,576**	1,562
Shenzhen Neptunus Pharmaceutical Co., Ltd. ("Neptunus Pharmaceutical")	Fellow subsidiary	Purchase of finished goods	(ii)(iii)	**40,919**	39,348
		Services fee	(ii)(iii)	**751**	2,498
		Rental Expense	(ii)(iii)	**156**	–
		Purchase of raw materials	(ii)(iii)	**2,519**	–
Neptunus Gongtu (Beijing) Medical Equipment Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**1,367**	–
Shenzhen Neptunus Medical Technology Research Institute Company Limited	Fellow subsidiary	R&D expense	(iii)(vii)	**6,800**	–
Guangxi Neptunus Yinhe Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**–**	56

17. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

Name of related parties	Relationship	Nature of transaction	Note	For the six months ended 30 June **2020** **RMB'000** **(Unaudited)**	2019 RMB'000 (Unaudited)
Shenzhen Neptunus Canyu Shiye Company Limited	Fellow subsidiary	Purchase of finished goods	(ii)(iii)	**–**	137
Sichuan Neptunus Jinren Pharmaceutical Group Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)(v)	**–**	344
Anyang Hengfeng Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**73**	974
Qingdao Huaren Pharmaceutical Distribution Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**1,970**	–
Henan Neptunus Kangrui Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**538**	394
Henan Dejitang Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**–**	147
Guangxi Guilin Neptunus Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**143**	78
Hubei Neptunus Pharmaceutical Group Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**211**	309
Anhui Neptunus Guoan Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**237**	–

17. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

Name of related parties	Relationship	Nature of transaction	Note	For the six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Changsha Neptunus Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**–**	100
Sulu Neptunus Pharmaceutical Group Company Limited ("Sulu Neptunus")	Fellow subsidiary	Sales of goods	(ii)(iii)	**667**	189
Shenzhen Neptunus Jiankang Shiye Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**525**	81
		Purchase of goods	(ii)(iii)	**17**	456
Jining Neptunus Huasen Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**141**	227
Jiangsu Nepstar Pharmaceutical Company Limited	Related company	Sales of goods	(ii)(iv)	**4,825**	3,776
Shenzhen Nepstar Pharmaceutical Co., Ltd.	Related company	Sales of goods	(ii)(iv)	**14,969**	2,846
		Marketing fee	(iv)(vi)	**–**	709
Shenzhen Nepstar Health Drugstore Chain Company Limited	Related company	Sales of goods	(ii)(iv)	**1,560**	–
Neimenggu Neptunus Medical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**583**	474

17. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

Name of related parties	Relationship	Nature of transaction	Note	For the six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Zhoukou Renhe Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**438**	3,160
Shantou Yuankang Medical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**1,835**	1,941
Henan Neptunus Yinhe Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**883**	1,278
Neptunus (Zhanjiang) Medical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**–**	331
Linyi Dongrui Medical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	**–**	528
Nanning Neptunus Jiankang Bio-technology Company Limited	Fellow subsidiary	Purchases of goods	(ii)(iii)	**6,070**	8,104
Jilin Neptunus Jiangkang Bio-technology Company Limited	Fellow subsidiary	Purchases of goods	(ii)(iii)	**54**	102

Notes:

(i) Neptunus Group leased office premises to the Group, the rental of office was charged at pre-agreed rate with reference to market prices.

(ii) The purchases, sales, rental of storage and services income received were transacted in the normal course of business on the same terms as those charged to and contracted with other third party suppliers and customers respectively.

(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 is no longer a related company of the Group since 18 June 2019.

(vi) The marketing fees were based on pre-agreed rates with reference to the volume of purchase of goods from the Group.

(viii) The research and development expenses are for technology transfer cooperation with Neptunus Group.

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 2020 RMB'000 (Unaudited)	Amounts owed by related parties as at 31 December 2019 RMB'000 (Audited)	Amounts owed to related parties as at 30 June 2020 RMB'000 (Unaudited)	Amounts owed to related parties as at 31 December 2019 RMB'000 (Audited)
Entrusted loan from the immediate parent company	(i)	**–**	–	**9,000**	9,000
Amount due to the immediate parent company		**–**	–	**–**	16
Amount due from intermediate parent company		**212**	212	**–**	–
Amount due from/to fellow subsidiaries:					
Neptunus Pharmaceutical		**34**	–	**16,300**	11,540
Shenzhen Neptunus Jiankang Technology Development Company Limited		**152**	–	**–**	–
Shandong Neptunus Yinhe Pharmaceutical Company Limited		**97**	–	**–**	44
Henan Dongsen Pharmaceutical Company Limited		**14**	4	**–**	–
Hangzhou Neptunus Bio-engineering Company Limited		**–**	–	**617**	625
Anhui Neptunus Medical Devices Company Limited (previously known as "Anhui Neptunus Yinhe Pharmaceutical Company Limited")		**–**	–	**5**	34
Hubei Neptunus Deming Pharmaceutical Company Limited		**–**	6	**–**	–

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 2020 RMB'000 (Unaudited)	Amounts owed by related parties as at 31 December 2019 RMB'000 (Audited)	Amounts owed to related parties as at 30 June 2020 RMB'000 (Unaudited)	Amounts owed to related parties as at 31 December 2019 RMB'000 (Audited)
Henan Neptunus Pharmaceutical Group Company Limited		**–**	89	**–**	–
Heilongjiang Province Neptunus Pharmaceutical Company Limited		**–**	–	**–**	84
Guangxi Neptunus Yinhe Pharmaceutical Company Limited		**–**	32	**–**	–
Sulu Neptunus Pharmaceutical Group Company Limited		**302**	133	**–**	–
Shenzhen Quanyaowang Pharmaceutical Company Limited		**1,163**	231	**–**	–
Jiangsu Neptunus Jiankang Bio-technology Company Limited		**–**	314	**518**	–
Anyang Hengfeng Pharmaceutical Company Limited		**94**	319	**–**	–
Neptunus (Shaoguan) Pharmaceutical Company Limited		**–**	–	**–**	11
Juying Medical Devices (Shanghai) Company Limited		**–**	–	**–**	3
Nanning Neptunus Jiangkang Bio-technology Company Limited		**–**	141	**1,896**	168
Zhuzhou Neptunus Medical Devices Company Limited		**3**	–	**–**	6
Jilin Neptunus Jiankang Bio-technology Company Limited		**–**	–	**–**	13
Shenzhen Neptunus Property Management Company Limited		**13**	13	**–**	–

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 2020 RMB'000 (Unaudited)	Amounts owed by related parties as at 31 December 2019 RMB'000 (Audited)	Amounts owed to related parties as at 30 June 2020 RMB'000 (Unaudited)	Amounts owed to related parties as at 31 December 2019 RMB'000 (Audited)
Neimenggu Neptunus Medical Company Limited		**449**	269	**–**	–
Henan Neptunus Yinhe Medical Company Limited Jiaozuo Branch		**–**	–	**139**	27
Shenzhen Hongyang Property Management Company Limited		**30**	30	**–**	–
Shantou Yuankang Medical Company Limited		**138**	138	**–**	–
Shenzhen Neptunus Jiankang Shiye Company Limited		**–**	–	**–**	64
Yangchun Bafang Pharmaceutical Company Limited		**–**	–	**1**	6
Guangdong Neptunus Xinjian Pharmaceutical Company Limited		**–**	–	**11**	11
Neptunus (Wuhan) Pharmaceutical Trading Company Limited		**–**	–	**–**	13
Shandong Neptunus Yangguang Xinnuo Pharmaceutical Company Limited		**–**	–	**–**	14
Neptunus (Maoming) Pahrmaceutical Company Limited		**–**	–	**–**	14
Neptunus Gongtu (Beijing) Medical Equipment Company Limited		**–**	–	**–**	1,100
Heyuan Kangchengtang Pharmaceutical Company Limited		**4**	–	**–**	27
Shenzhen Shenye Pharmaceutical Development Company Limited		**–**	–	**–**	26

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 2020 RMB'000 (Unaudited)	Amounts owed by related parties as at 31 December 2019 RMB'000 (Audited)	Amounts owed to related parties as at 30 June 2020 RMB'000 (Unaudited)	Amounts owed to related parties as at 31 December 2019 RMB'000 (Audited)
Weihai Neptunus Pahrmaceutical Company Limited		**–**	16	**–**	–
Zhongshan Changjian Pharmaceutical Company Limited		**–**	–	**–**	18
Qingdao Huaren Medicine Distribution Company Limited		**2,175**	10	**–**	–
Anhui Neptunus Guoan Pharmaceutical Group Limited		**–**	–	**–**	2
Henan Enji Pharmaceutical Company Limited		**–**	–	**2**	–
Jiamusi Neptunus Pharmaceutical Company Limited		**6**	–	**–**	–
		4,674	1,745	**19,489**	13,850

Amount due from/to related companies:				
Shenzhen Nepstar Pharmaceutical Co., Ltd.	**3,571**	8,240	**–**	–
Jiangsu Nepstar Pahrmaceutical Company Limited	**9,667**	8,292	**–**	–
Shenzhen Nepstar Health Drugstore Chain Company Limited	**207**	332	**–**	–
	13,445	16,864	**–**	–

17. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties (Continued)

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 abovementioned 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.

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

	Amounts owed by related parties		**Amounts owed to related parties**	
	as at 30 June 2020 RMB'000 (Unaudited)	as at 31 December 2019 RMB'000 (Audited)	**as at 30 June 2020 RMB'000 (Unaudited)**	as at 31 December 2019 RMB'000 (Audited)
Trade nature				
Amount due from the immediate parent company		–		–
Amount due from/to fellow subsidiaries	**4,631**	1,702	**19,489**	13,850
Amount due from/to related companies	**13,445**	16,864	**–**	–
	18,076	18,566	**19,489**	13,850
Non-trade nature				
Entrusted loan from the immediate parent company	**–**	–	**9,000**	9,000
Amount due to immediate parent company	**–**	–	**–**	16
Amount due from intermediate parent company	**212**	212	**–**	–
Amount due from/to fellow subsidiaries	**43**	43	**–**	–
	255	255	**9,000**	9,016
	18,331	18,821	**28,489**	22,866

17. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties (Continued)

Note (Continued):

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

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Within 3 months	**11,276**	10,601
More than 3 months but less than 12 months	**6,712**	7,965
Over 12 months	**88**	–
	18,076	18,566

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

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Within 3 months	**19,094**	13,456
More than 3 months but less than 12 months	**–**	–
Over 12 months	**395**	394
	19,489	13,850

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 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), with nearly 500 approval documents being registered and approximately 170 varieties being included into the "Catalogue of Drugs for Basic National Medical Insurance" (國家基本醫療保險藥品目錄). The Fuzhou Production Base is the only narcotic production base in Fujian Province designated by the State.

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 替吉奧片, 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), Pre-filled Catheter Flusher (預充式導管沖洗器, a Class III medical device) and HTK Myocardial Protection Cardioplegic Solution (HTK 心肌保護停跳液, a Class III medical device). Prefilled 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, completed the medical device registration and the manufacturing registration procedure in mainland China, and commenced production and sales last year, and its sales is good. A subsidiary of the Group has been included into "Cultivation and Development Library of Little Giant Leading Enterprises in Science and Technology" of Fujian Province since 2016 with a term of validity of 5 years and was therefore entitled to supportive measures such as a special fund as an award of additional tax deduction on research and development expenses according to the relevant rules.

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 medicines, Sodium Bicarbonate Tablets (碳酸氫鈉片), has already passed the consistency of quality and efficacy evaluation. Norfloxacin Capsules (諾氟沙星膠囊) and Vitamin B6 Tablets (維生素B6片) have completed on-site inspection and technical evaluation and entered the phase of supplemental information submission. 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 were affected to various extents. Currently, 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. In addition, as TGOP products have been included into the Drug Directory for "4+7" Procurement with Target Quantity and its price declined sharply, the market expansion, sales volume and profit margin of the TGOP Tablets of the Group were greatly affected.

Under the impact of national policies, hospitals have restricted the use of antibiotics and gradually eliminated outpatient transfusion. In addition, there is 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, 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 costs for drug re-registration and quality consistency evaluation. In addition, due to the COVID-19 outbreak, the demand for non-COVID-19 medicines from medical institutions across the country decreased and anti-cold medicines, anti-tussive medicines and antipyretics have been under regulation, which affected the sales of the self-manufactured medicines of the Group.

A 80%-owned subsidiary of the Company (the "Subsidiary") was served with a writ of summons ((2020) Hu 0120 Min Chu 1752 Hao) ((2020)滬0120民初1752號), the "Writ") issued in the People's Court of Fengxian District, Shanghai (上海市奉賢區人民法院), PRC. The plaintiff in the Writ lodged the complaint over the "Tegafur Exclusive Agency Agreement" (替加氟獨家代理協議) against the Subsidiary. The Company considers that the said proceeding does not affect the normal operations of the Company and its subsidiaries, and will be prudent yet optimistic to proactively deal with the proceeding. For details, please refer to the announcement of the Company dated 17 March 2020. The Company has filed a counterclaim and the court has accepted. As at the date of this announcement, the case is still under trial and no verdict has been pronounced.

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). The products are mainly distributed to ultimate medical institutions through professional sales promotion companies and sold to ultimate consumers through large-sized and medium-sized chain drugstores.

During the Reporting Period, macro factors such as the COVID-19 outbreak, the adjustments of the medical insurance policies and the centralized procurement policies of medicines impacted the purchase and sales of medicines and healthcare food products business of the Group. To mitigate the aforesaid impact and maintain the continuing growth of the business, the Group actively reassured and united its team to overcome the difficulties together, closely followed the development of the COVID-19 outbreak, kept up with the market focus, pushed forward the sales of epidemic prevention products by adopting flexible and diversified promotion strategies, took advantage of the recovering market to restart various sales promotions, and proactively follow up the medicine tendering and bidding of medicine for hospitals to drive up the medicine sales to end medical institutions. With the above efforts, the purchase and sales of medicines and healthcare food products business of the Group maintained its growth momentum.

To adapt to the new policy environment, the purchase and sales of medicines and healthcare food products business segment of the Group transformed relevant business into a pharmaceutical product sales management service business based on the needs of end-use consumers and manufacturing enterprises. During the Reporting Period, the pharmaceutical product sales management service business was taken over by the Company in order to make overall plans and coordinate sales network and customer resources for better development of the business. In addition, to expand and maintain market shares, low gross profit distribution business, which mainly involves distributing pharmaceutical products with price advantage to chain drugstores, was introduced to the purchase and sales of medicines and healthcare food products business segment of the Group added a low gross profit distribution business.

FINANCIAL REVIEW

The Group's revenue during the Reporting Period was approximately RMB459,546,000, representing a decrease of approximately 3.40% from approximately RMB475,715,000 for the corresponding period of last year. In relation to the Group's revenue, approximately RMB199,482,000, which amounted to approximately 43.41% of the Group's total revenue, was derived from the manufacturing and selling of medicines segment, while approximately RMB260,064,000, which amounted to approximately 56.59% of the Group's total 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 decreased by approximately 17.66% as compared with the corresponding period of last year, while the revenue from the sales and distribution of medicines and healthcare products segment increased by approximately 11.40% as compared with the corresponding period of last year. Thereby, the overall revenue of the Group had a slight decrease. During the Reporting Period, the Group's revenue derived from the sales of medical devices was approximately RMB34,405,000, which amounted to approximately 17.25% of the revenue of the manufacturing and selling of medicines segment; the Group's revenue derived from the sales management services of pharmaceutical products was approximately RMB751,000, which amounted to approximately 0.29% 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 52%, representing a decrease of approximately 9% from approximately 61% for the corresponding period of last year. The decrease in gross profit margin was mainly attributable to the low gross profit margin of a new distribution business.

The Group's gross profit during the Reporting Period was approximately RMB239,800,000, representing a decrease of approximately 17.46% from approximately RMB290,527,000 for the corresponding period of last year. The decrease in gross profit was mainly because of the overall revenue of the Group decreased due to the COVID-19 outbreak and the gross profit margin decreased as well.

During the Reporting Period, the Group's selling and distribution expenses were approximately RMB168,634,000, representing a decrease of approximately 22.77% from approximately RMB218,342,000 for the corresponding period of last year. The decrease in selling and distribution expenses was mainly due to the the selling and distribution expenses decreased accordingly as the revenue decreased and the new distribution business has no selling and distribution expenses.

The Group's administrative expenses for the Reporting Period were approximately RMB29,699,000, which was basically close to approximately RMB29,904,000 for the corresponding period of last year.

During the Reporting Period, the Group's other operating expenses amounted to approximately RMB28,015,000, representing an increase of approximately 38.43% from approximately RMB20,237,000 for the corresponding period of last year. Increase in other operating expenses was mainly because of the provision of RMB13,588,000 for impairment loss of intangible assets. Due to the impact of COVID-19 outbreak, the sales of the anesthetic drug products declined significantly during the Reporting Period. The Group reviewed the valuation of the intangible assets of year 2019, renewed the forecast value of the anesthetic drug production and selling right and made relevant provision for impairment loss of the intangible assets according to the renewed forecast.

The Group's finance costs for the Reporting Period amounted to approximately RMB510,000, representing a decrease of approximately 22.26% from approximately RMB656,000 for the corresponding period of last year. The main reason for the decrease of finance costs was that the office lease contracts were renewed this year with a term of one-year, which were not applicable to the HKFRS 16 "Leases" and resulted in the decrease of the interest from lease liability during the Reporting Period.

For the reasons above, the Group's profit after tax was approximately RMB19,254,000 for the Reporting Period, representing a decrease of approximately 9.94% from approximately RMB21,380,000 of the corresponding period of last year. Profit attributable to the owners of the Company was approximately RMB18,250,000 for the Reporting Period, representing a decrease of approximately 1.63% from approximately RMB18,552,000 of 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 2020, 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 2020, 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.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the Reporting Period (2019: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had not made any significant investments or material acquisitions and disposals of subsidiaries during the Reporting Period.

CONTINGENT LIABILITY

As at 30 June 2020, the Group had no significant contingent liabilities.

CAPITAL COMMITMENTS

As at 30 June 2020, the Group had contracted commitments for future capital expenditure of approximately RMB1,494,000.

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 2020, 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 shares of associated corporations of the Company:

Director/Supervisor	**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. Zhou Hang (Note (b))	Beneficial owner	Personal	Neptunus Bio-engineering	1,478,700	0.05%
Ms. Yu Lin (Note (c))	Beneficial owner	Personal	Neptunus Bio-engineering	900,000	0.03%
Mr. Shen Da Kai (Note (d))	Beneficial owner	Personal	Neptunus Bio-engineering	2,000,000	0.07%
Ms. Cao Yang (Note (e))	Beneficial Owner	Personal	Neptunus Bio-engineering	200,000	0.01%

Notes:

(a) Mr. Zhang Feng, chairman of the Board and deputy chairman and non-independent director of the 8th session of the board of directors and president 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. Zhou Hang, executive Director, 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 Neptunus Oriental.

(c) Ms. Yu Lin, non-executive Director, 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.

(d) Mr. Shen Da Kai, non-executive Director, was beneficially interested in approximately 0.07% 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. 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 June 2020, 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 2020, 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 2020, 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 June 2020.

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 complied with the required standard of dealings and the Company's code of conduct regarding Directors' securities transactions.

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, namely Ms. Yu Lin and two independent non-executive Directors, namely Mr. Yick Wing Fat, Simon and Mr. Poon Ka Yeung. Mr. Yick Wing Fat, Simon is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed 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.

EVENTS AFTER THE REPORTING PERIOD

There are no important events affecting the Group which have occurred after the end of the Reporting Period and up to the date of this announcement.

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

Shenzhen, the PRC, 11 August 2020

As at the date of this announcement, the executive Directors are Mr. Zhang Feng, Mr. Zhou Hang and Mr. Huang Jian Bo; the non-executive Directors are Ms. Yu Lin, Mr. Shen Da Kai and Mr. Xu Yan He; 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*