



深圳市海王英特龍 生物技術股份有限公司

SHENZHEN NEPTUNUS INTERLONG
BIO-TECHNIQUE COMPANY LIMITED*

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

(於中華人民共和國註冊成立之股份有限公司)

Stock Code : 8329

* For identification purpose only

Interim Report | 2017



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

INTERIM RESULTS (UNAUDITED)

The board of Directors (the "Board") of the Company is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2017 (the "Reporting Period"), together with the unaudited comparative figures for the corresponding period of 2016.

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

For the three months and six months ended 30 June 2017

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2017 (Unaudited) RMB'000	2016 (Restated) RMB'000	2017 (Unaudited) RMB'000	2016 (Restated) RMB'000
Revenue	3	188,031	192,190	347,786	334,403
Cost of sales		(92,566)	(95,558)	(174,510)	(167,621)
Gross profit		95,465	96,632	173,276	166,782
Other revenue	3	3,227	1,287	3,972	4,291
Other net income	3	598	167	882	368
Selling and distribution expenses		(65,377)	(60,161)	(107,019)	(94,772)
Administrative expenses		(10,637)	(12,310)	(23,421)	(26,703)
Other operating expenses		(6,577)	(8,113)	(12,336)	(16,094)
Profit from operations		16,699	17,502	35,354	33,872
Finance costs	6(a)	(937)	(921)	(1,674)	(2,203)
Profit before taxation	6	15,762	16,581	33,680	31,669
Income tax expense	7	(2,955)	(2,763)	(6,658)	(6,018)
Profit and total comprehensive income for the period		12,807	13,818	27,022	25,651
Profit and total comprehensive income for the period attributable to:					
Owners of the Company		10,522	11,375	22,473	21,409
Non-controlling interests		2,285	2,443	4,549	4,242
		12,807	13,818	27,022	25,651
Earnings per share for profit attributable to the owners of the Company during the period					
Basic and diluted	9	RMB0.63 cents	RMB0.68 cents	RMB1.34 cents	RMB1.28 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2017

	Note	At 30 June 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	10	138,436	140,111
Prepaid lease payments		98,402	99,578
Intangible assets		113,083	115,158
Deposit for acquisition of property, plant and equipment		1,407	914
Deferred tax assets		1,117	991
Value-added tax recoverable	11	368	–
		352,813	356,752
Current assets			
Inventories		174,398	136,749
Trade and other receivables	11	198,227	210,918
Principal protected deposit		40,000	–
Fixed deposit		–	4,000
Bank balances and cash		290,243	325,195
		702,868	676,862
Current liabilities			
Trade and other payables	12	189,652	187,124
Interest-bearing bank borrowings	13	100,000	100,000
Entrusted loans from the immediate parent company		9,000	9,000
Deferred revenue		401	401
Current taxation		7,737	14,664
		306,790	311,189
Net current assets		396,078	365,673
Total assets less current liabilities		748,891	722,425

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

As at 30 June 2017

	At 30 June 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited) RMB'000
Non-current liabilities		
Deferred revenue	4,292	4,492
Deferred tax liabilities	18,038	18,394
	22,330	22,886
Net assets	726,561	699,539
Equity		
Equity attributable to owners of the company		
Share capital	167,800	167,800
Reserves	454,265	431,792
Total	622,065	599,592
Non-controlling interests	104,496	99,947
Total equity	726,561	699,539

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2017

	Attributable to owners of the Company							
				(Accumulated				
	Share	Share	Capital	Statutory	loss)		Non-	
	capital	premium	reserve	Reserve	/Retained	Sub-total	controlling	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	interests	RMB'000
				fund	earnings			
At 1 January 2016 (audited)	167,800	554,844	(188,494)	38,481	(35,731)	536,900	95,022	631,922
Change in equity for 2016								
Profit and other comprehensive income for the period	–	–	–	–	21,409	21,409	4,242	25,651
Dividend paid from subsidiary to non-controlling interests	–	–	–	–	–	–	(5,200)	(5,200)
Transfer to other reserves	–	–	–	28	(28)	–	–	–
At 30 June 2016 (unaudited)	167,800	554,844	(188,494)	38,509	(14,350)	558,309	94,064	652,373
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 other 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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Profit before taxation	33,680	31,669
Adjustment for:		
Interest income	(1,695)	(1,303)
Finance costs	1,674	2,203
Depreciation	6,886	7,449
Amortization of prepaid lease payments	785	785
Amortization of intangible assets	2,075	2,098
Reversal of write down of inventory	(63)	(124)
Reversal of impairment loss on trade receivables	(104)	(174)
Reversal of impairment loss on other receivables	(98)	(70)
Write down of inventory	1,165	2,080
(Gain)/loss on disposal of assets	(12)	883
Gain on disposal of available-for-sale investment	–	(50)
Gain on disposal of subsidiary	–	(1,694)
Impairment on trade receivables	204	189
Impairment on other receivables	8	670
Government subsidies released from deferred revenue	(201)	(432)
Reversal of overprovision of retirement benefits	(540)	–
	43,764	44,179
CHANGES IN WORKING CAPITAL		
Increase in Inventories	(38,751)	(11,128)
Decrease/(increase) in trade and other receivables	12,313	(2,965)
Increase/(decrease) in trade and other payables	3,068	(3,886)
CASH GENERATED FROM OPERATIONS	20,394	26,200
Income tax paid-The People's Republic of China	(14,067)	(13,652)
NET CASH GENERATED FROM OPERATING ACTIVITIES	6,327	12,548

For the six months ended 30 June

	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
INVESTING ACTIVITIES		
Deposit for acquisition of property, plant and equipment	(1,289)	2
Payment for purchase of property plant and equipment	(4,049)	(14,236)
Payment for expenditure of intangible assets	–	(505)
Proceeds from disposal of property, plant and equipment	38	–
Proceeds from disposal of available-for-sale investment	–	350
Proceeds from disposal of subsidiary	–	41,259
Decrease in pledged bank deposit	–	3,400
Increase in principal protected deposit	(40,000)	–
Decrease in fixed deposits	4,000	6,608
Interest received	1,695	1,303
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(39,605)	38,181
FINANCING ACTIVITIES		
Proceeds from interest-bearing borrowings	50,000	50,000
Repayment of interest-bearing borrowings	(50,000)	(50,000)
Proceeds from financial assistance from the immediate parent company	–	2,000
Repayment of financial assistance to the immediate parent company	–	(74,500)
Interest paid	(1,674)	(2,203)
Dividend paid to non-controlling interests	–	(5,200)
NET CASH USED IN FINANCING ACTIVITIES	(1,674)	(79,903)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(34,952)	(29,174)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	325,195	282,494
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	290,243	253,320
ANALYSIS OF CASH AND CASH EQUIVALENTS AT 30 JUNE		
Bank balances and cash	290,243	253,320

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. CORPORATE INFORMATION

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with the applicable disclosure provision of the GEM Listing Rules on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

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

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

Amendments to HKAS 7	Statement of cash flows: Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for initiative unrealised losses

There have been no significant changes to the accounting policy applied in these unaudited condensed consolidated financial statements for the periods as a result of the developments.

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

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

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

The condensed consolidated financial statements are unaudited.

3. REVENUE AND OTHER REVENUE

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

	For the three months ended 30 June		For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Restated) RMB'000	2017 (Unaudited) RMB'000	2016 (Restated) RMB'000
Revenue				
Sales of medicines	98,323	108,196	207,340	207,281
Sales and distribution of medicines and healthcare products	89,708	83,994	140,446	126,933
Research & development services income	—	—	—	189
	188,031	192,190	347,786	334,403
Other revenue				
Gain on disposal of property, plant and equipment	—	—	12	—
Interest income from bank deposits	1,119	774	1,695	1,303
Gain on disposal of a subsidiary	—	—	—	1,694
Gain on disposal of available-for-sale investment	—	50	—	50
Government subsidies				
– released from deferred revenue	101	216	201	432
– directly recognised in profit or loss	234	96	280	630
Others	1,773	151	1,784	182
	3,227	1,287	3,972	4,291
Other net income				
Reversal of impairment loss on trade receivables	104	76	104	174
Reversal of impairment loss on other receivables	98	67	98	70
Reversal of write down of inventories (Note)	63	24	63	124
Reversal overprovision of retirement benefit	270	—	540	—
Net foreign exchange gains	63	—	77	—
	598	167	882	368

Note:

During the period, obsolete inventories written down previously were sold.

Therefore, a reversal of write down of inventories of approximately RMB63,000 (six-month period ended 30 June 2016: approximately RMB124,000) was recognised in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

4. SEGMENT REPORTING

The Group manages its business by divisions, which are organised by a mixture of both business lines (products and services) and geography. 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
- (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.

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 and tax recoverable. 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 EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA 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 EBITDA, 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.

4. SEGMENT REPORTING (CONTINUED)

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

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 2017 and 30 June 2016 is set out below:

For the six months ended 30 June	Manufacturing and selling of medicines		Sales and distribution of medicines and healthcare products		Research & development services		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	(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	207,340	207,281	140,446	126,933	–	189	347,786	334,403
Inter-segment revenue	16,703	12,371	–	–	–	–	16,703	12,371
Reportable segment revenue	224,043	219,652	140,446	126,933	–	189	364,489	346,774
Reportable segment profit/(loss) (adjusted EBITDA)	34,078	31,610	9,573	9,669	(1,664)	(713)	41,987	40,566
Interest income from bank deposits	1,512	1,229	142	67	41	7	1,695	1,303
Interest expenses	(1,674)	(2,093)	–	–	–	(110)	(1,674)	(2,203)
Depreciation and amortisation								
– Property, plant and equipment	(6,106)	(5,934)	(35)	(221)	(745)	(1,294)	(6,886)	(7,449)
– Prepaid lease payment	(785)	(785)	–	–	–	–	(785)	(785)
– Intangible assets	(1,974)	(1,997)	(101)	(101)	–	–	(2,075)	(2,098)
Impairment on								
– trade receivables	(129)	(189)	(75)	–	–	–	(204)	(189)
– other receivables	–	(670)	(8)	–	–	–	(8)	(670)
Reversal of impairment loss on								
– trade receivables	–	76	104	98	–	–	104	174
– other receivables	98	67	–	3	–	–	98	70
Reversal overprovision of retirement benefit	–	–	540	–	–	–	540	–
Write down of inventories	(491)	(315)	(674)	(1,765)	–	–	(1,165)	(2,080)
Reversal of write down of inventories	63	124	–	–	–	–	63	124
Income tax expense	(4,129)	(3,639)	(2,529)	(2,379)	–	–	(6,658)	(6,018)

4. 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 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Reportable segment assets	903,150	864,361	154,431	161,322	166,736	169,100	1,224,317	1,194,783
Additions to non-current assets during the period/year (other than financial instruments and deferred tax assets)	6,502	22,978	24	269	1	5	6,527	23,252
Reportable segment liabilities	390,701	371,985	68,851	76,275	14,897	16,268	474,449	464,528

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

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Revenue		
Reportable segment revenue	364,489	346,774
Elimination of inter-segment revenue	(16,703)	(12,371)
Consolidated revenue	347,786	334,403
Profit		
Reportable segment profit	41,987	40,566
Elimination of inter-segment profit	(1,399)	(376)
Reportable segment profit derived from the Group's external customers	40,588	40,190
Other revenue and other net income	4,854	4,659
Depreciation and amortisation	(9,746)	(10,332)
Finance costs	(1,674)	(2,203)
Unallocated head office and corporate expense	(342)	(645)
Consolidated profit before taxation	33,680	31,669

4. SEGMENT REPORTING (CONTINUED)

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

	At 30 June 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited) RMB'000
Assets		
Reportable segment assets	1,224,317	1,194,783
Elimination of inter-segment receivables	(169,753)	(162,160)
	1,054,564	1,032,623
Deferred tax assets	1,117	991
Consolidated total assets	1,055,681	1,033,614
Liabilities		
Reportable segment liabilities	474,449	464,528
Elimination of inter-segment payables	(171,104)	(163,511)
	303,345	301,017
Tax payable	7,737	14,664
Deferred tax liabilities	18,038	18,394
Consolidated total liabilities	329,120	334,075

5. 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.

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Restated) RMB'000	2017 (Unaudited) RMB'000	2016 (Restated) RMB'000
(a) Finance costs				
Interest on bank loans	937	903	1,674	2,012
Interest on financial assistance from the immediate parent company	—	18	—	191
Total interest expense on financial liabilities not at fair value through profit or loss	937	921	1,674	2,203
(b) Staff costs (including directors' emoluments)				
Salaries, wages and other benefits	14,507	15,262	29,065	32,386
Contributions to defined contribution retirement plan	3,102	3,175	7,120	7,201
	17,609	18,437	36,185	39,587

6. PROFIT BEFORE TAXATION (CONTINUED)

	For the three months ended 30 June		For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2017 (Unaudited) RMB'000	2016 (Unaudited) 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	–
	587	392	1,175	785
– Intangible assets (Note 1)	1,047	1,024	2,075	2,098
Depreciation	3,360	2,848	6,886	7,449
Cost of inventories	87,301	93,884	168,647	164,014
Research & development costs (Note 1)	4,691	4,326	8,649	9,568
Operating lease charges: minimum lease payment	1,139	2,293	2,863	4,408
Impairment on				
– trade receivables (Note 1)	204	189	204	189
– other receivables (Note 1)	8	670	8	670
Loss on disposal of property, plant and equipment (Note 1)	–	411	–	417
Write down of inventory (Note 1 & 2)	392	602	1,165	2,080
Auditor's remuneration				
– non-audit services	55	64	132	64

Notes:

- (1) These amounts have been included in "Other operating expenses" in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.
- (2) As at 30 June 2017, write down of inventories was approximately RMB1,165,000 (six-month period ended 30 June 2016: approximately RMB2,080,000). During the period, obsolete inventories of approximately RMB1,165,000 (six-month period ended 30 June 2016: approximately RMB2,080,000) were identified and recognised in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

7. INCOME TAX

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

	For the three months ended 30 June		For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Current tax				
Provision for PRC Enterprise Income Tax	3,330	3,111	7,140	6,856
Deferred tax				
Reversal of temporary differences	(375)	(348)	(482)	(838)
	2,955	2,763	6,658	6,018

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 (six-month period ended 30 June 2016: Nil).

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

The Company and the other PRC subsidiaries are subject to the PRC EIT at a rate of 25% for the Reporting Period (six-month period ended 30 June 2016: 25%).

8. DIVIDENDS

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

9. EARNINGS PER SHARE

Basic earnings per share

For the three-month and six-month periods ended 30 June 2017, the calculation of basic earnings per share was based on the profit attributable to owners of the Company of approximately RMB10,522,000 and RMB22,473,000 respectively (three-month and six-month periods ended 30 June 2016: profit of approximately RMB11,375,000 and RMB21,409,000 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 2017 (2016: 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 2017 and 2016 equals to basic earnings per share because there were no potential dilutive ordinary shares outstanding during these periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, property, plant and equipment purchased and disposed of by the Group were approximately RMB5,237,000 (six-month period ended 30 June 2016: approximately RMB15,675,000) and approximately RMB26,000 at a consideration of approximately RMB38,000 (six-month period ended 30 June 2016: approximately RMB807,000 at no consideration) respectively.

11. 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 2017 (Unaudited) RMB'000	At 31 December 2016 (Restated) RMB'000
Within 3 months	115,742	142,804
More than 3 months but less than 12 months	29,325	28,059
Over 12 months	8,947	5,158
Trade and bills receivables, net	154,014	176,021
Amount due from intermediate parent company	134	138
Amount due from fellow subsidiaries	1,226	3,265
Amount due from related companies	4,659	9,026
Other receivables	3,579	5,093
Value-added tax recoverable	1,347	579
Total trade and other receivables	164,959	194,122
Prepayments and deposits	33,636	16,796
Less: Non-current assets	198,595	210,918
Value-added tax recoverable	(368)	—
Total current trade and other receivables	198,227	210,918

Trade receivables are due within 90 days from the date of billing.

12. 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 2017 (Unaudited) RMB'000	At 31 December 2016 (Restated) RMB'000
Within 3 months	64,542	37,878
4 to 6 months	3,800	14,224
7 to 12 months	20,293	6,630
Over 1 year	2,856	8,466
Trade and bills payables	91,491	67,198
Receipts in advance	9,951	7,464
Other payables and accruals	59,112	70,538
Amount due to fellow subsidiaries	24,958	37,800
Amount due to immediate parent company	4,120	4,111
Amount due to related companies	20	13
Financial liabilities measured at amortised cost	189,652	187,124

Note:

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

13. INTEREST-BEARING BANK BORROWINGS

	Note	Effective interest rate	Maturity	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Short-term bank loan					
– secured	(a)	4.35%	October 2017	100,000	100,000

Note:

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

RMB30,000,000 facility for issue of bills and RMB100,000,000 loan facility were obtained from a bank on 18 May 2015 and 22 July 2015 respectively.

On 4 August 2016, the above loan facility and bill facility were renewed and combined into one bank facility of RMB100,000,000. The renewed bank facility is shared by loan and issue of bill, secured by pledge of buildings and prepaid lease payments of a subsidiary, and carries common profitability and gear ratio covenants on that subsidiary. Issue of bill, in addition to the aforementioned pledge, requires at least 50% pledge of bank deposit. Bill payable, if it is issued, carries no interest.

As at 30 June 2017, the bank facility was fully utilised and loan of RMB100,000,000 (At 31 December 2016: RMB100,000,000) was outstanding and the pledged buildings and prepaid lease payments were stated at an aggregate value of approximately RMB95,661,000 (At 31 December 2016: approximately RMB103,633,000). No bills were issued.

14. COMMITMENTS

- (a) Capital commitments outstanding at 30 June 2017 contracted but not provided for in the unaudited condensed consolidated financial statements were as follows:

	At 30 June 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited) RMB'000
Property, plant and equipment		
Property, plant and equipment	238	352
Intangible assets		
Technical know-how, net of deposits	1,300	1,300
	1,538	1,652

14. COMMITMENTS (CONTINUED)

- (b) At 30 June 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2017 (Unaudited) RMB'000	At 31 December 2016 (Audited) RMB'000
Within 1 year	1,245	2,298
After 1 year but within 5 years	402	536
	1,647	2,834

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

15. 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	
				2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Shenzhen Neptunus Group Co., Ltd.	Intermediate parent company	Rental of office	(i)(iii)	383	546
Shenzhen Neptunus Bio-engineering Co., Ltd. ("Neptunus Bio-engineering")	Immediate parent company	Interest for interest-bearing financial assistance	(iii)(vi)	–	191
		Sales of goods	(ii)(iii)	13	–
Hangzhou Neptunus Bio-engineering Co., Ltd.	Fellow subsidiary	Purchase of goods	(ii)(iii)	6,094	2,126
Heilongjiang Province Neptunus Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	269	–

15. 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	
				2017	2016
				(Unaudited) RMB'000	(Unaudited) RMB'000
Heilongjiang Neptunus Shukang Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	586	–
Henan Dongsen Pharmaceutical Co., Ltd.	Fellow subsidiary	Sales of goods	(ii)(iii)	539	550
Henan Neptunus Pharmaceutical Group Limited (previous known as "Henan Neptunus Yinhe Pharmaceutical Company Limited")	Fellow subsidiary	Sales of goods	(ii)(iii)	427	–
Jiamusi Neptunus Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	387	1,615
Shandong Neptunus Yinhe Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	1,624	851
Shenzhen Neptunus Jiankang Industrial Company Limited	Fellow subsidiary	Purchase of finished goods	(ii)(iii)	541	–
Shenzhen Neptunus Jiankang Technology Development Company Ltd. ("Neptunus Jiankang")	Fellow subsidiary	Purchase of finished goods Sales of goods	(ii)(iii)	3,082 24	3,048 –

15. 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	
				2017	2016
				(Unaudited) RMB'000	(Unaudited) RMB'000
Shenzhen Neptunus Pharmaceutical Co., Ltd. ("Neptunus Pharmaceutical")	Fellow subsidiary	Purchase of finished goods	(ii)(iii)	31,622	31,464
Sulu Neptunus Pharmaceutical Group Company Limited ("Sulu Neptunus") (previous known as "Zaozhuang Yinhai Pharmaceutical Co., Ltd.")	Fellow subsidiary	Sales of goods	(ii)(iii)	86	285
Shenzhen Nepstar Pharmaceutical Co., Ltd.	Related company	Sales of goods	(ii)(iv)	5,971	7,358
		Marketing fee	(iv)(v)	–	527

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 marketing fees were based on pre-agreed rates with reference to the volume of purchase of goods from the Group.
- (vi) The interest was arisen from the interest-bearing financial assistance from the immediate parent company and charged at 20% above 1-year benchmark lending rate issued by the People's Bank of China and the interest rate is adjusted yearly.

15. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties

Name of related parties	Note	Amounts due from related parties		Amounts due to related parties	
		as at 30 June 2017 (Unaudited) RMB'000	as at 31 December 2016 (Restated) RMB'000	as at 30 June 2017 (Unaudited) RMB'000	as at 31 December 2016 (Restated) RMB'000
Entrusted loan from the immediate parent company	(i)	–	–	9,000	9,000
Amount due to the immediate parent company		–	–	4,120	4,111
Amount due from intermediate parent company		134	138	–	–
Amount due from/to fellow subsidiaries: –					
Neptunus Pharmaceutical		–	–	18,488	31,815
Neptunus Jiankang		–	–	1,490	2,829
Shandong Neptunus Yinhe Pharmaceutical Company Limited		561	1,083	–	–
Henan Dongsen Pharmaceutical Co., Ltd.		236	359	–	–
Hangzhou Neptunus Bio-engineering Company Limited		–	–	4,416	2,983
Anhui Neptunus Yinhe Pharmaceutical Company Limited		5	–	–	–
Jiamusi Neptunus Pharmaceutical Company Limited		134	1,256	–	–
Sulu Neptunus		139	487	–	–
Shenzhen Neptunus Yinhe Pharmaceutical investment Company Limited		3	3	–	–
Shenzhen Quanyaowang Pharmaceutical Company Limited		–	–	350	–

15. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties (continued)

Name of related parties	Amounts due from related parties		Amounts due to related parties	
	as at	as at	as at	as at
	30 June	31 December	30 June	31 December
	2017	2016	2017	2016
	(Unaudited)	(Restated)	(Unaudited)	(Restated)
	RMB'000	RMB'000	RMB'000	RMB'000
Amount due from/to fellow subsidiaries (continued): –				
Hubei Neptunus Deming Pharmaceutical Company Limited	29	6	–	–
Hubei Neptunus Pengtai Pharmaceutical Company Limited	3	11	–	–
Hubei Neptunus Pharmaceutical Company Limited	–	8	–	–
Hubei Neptunus Enshi Pharmaceutical Company Limited	31	5	–	–
Heilongjiang Province Neptunus Pharmaceutical Company Limited	67	30	–	–
Guangxi Neptunus Yinhe Pharmaceutical Company Limited	5	16	–	–
Shenzhen Neptunus Medical Technology Research Institute Limited	–	1	–	–
Shenzhen Neptunus Jiankang Industrial Company Limited	–	–	205	103
Henan Neptunus Baiyue Pharmaceutical Company Limited	9	–	–	–
Nanning Neptunus Jiankang Development Company Limited	4	–	–	–
Jiangsu Neptunus Jiankang Bio-technology Company Limited	–	–	9	–

15. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties (continued)

Name of related parties	Amounts due from related parties		Amounts due to related parties	
	as at	as at	as at	as at
	30 June	31 December	30 June	31 December
	2017	2016	2017	2016
	(Unaudited)	(Restated)	(Unaudited)	(Restated)
	RMB'000	RMB'000	RMB'000	RMB'000
Amount due from/to fellow subsidiaries (continued): –				
Binzhou Neptunus Huanghe Pharmaceutical Company Limited	–	–	–	6
Henan Neptunus Pharmaceutical Group Limited	–	–	–	64
	1,226	3,265	24,958	37,800
Amount due from/to related companies:				
Shenzhen Nepstar Pharmaceutical Co., Ltd.	4,629	8,979	–	–
Jilin Neptunus Jiankang Bio-technology Company Limited	–	–	13	13
Shenzhen Hongyang Property Management Limited	30	42	–	–
Nanning Neptunus Jiankang Bio-technology Company Limited	–	5	7	–
	4,659	9,026	20	13
	6,019	12,429	38,089	50,924

* The English transliteration of the Chinese name in this unaudited condensed consolidated financial statements, where indicated, is included for information purpose only, and should not be regarded as the official English name of such Chinese name.

15. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties (continued)

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

- (i) On 5 April 2011, the immediate parent company – Neptunus Bio-engineering 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 positive cash flow and retained earnings in the relevant financial year.

16. COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Manufacturing and Selling of Medicines

Currently, the Group manufactures its own medicines through the production base ("Fuzhou Production Base") located in Jin'an District, Fuzhou, Fujian Province, the PRC, including herbal medicine, generic drugs, transfusion, anti-tumor drugs and other drugs. The Fuzhou Production Base covers an area of approximately 249 *mu*, with 26 production lines which all passed the national new GMP certification and possesses nearly 500 registration approvals for drugs. It 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 for the Chinese People's Liberation Army.

Two pharmaceutical manufacturing subsidiaries of the Group are high-tech enterprises. They currently possess various self-owned intellectual property rights related to new drugs and herbal medicine exclusive products. New drugs include Tegafur, Gimeracil and Oteracil Potassium Tablets (the "TGOP Tablets") (替吉奥片), a new drug for anti-gastric cancer, and Active Pharmaceutical Ingredient of Clofarabine, a new drug for anti-leukemia, whereas herbal medicine exclusive products include Xiaozheng Yigan Tablets (消症益肝片), an anti-liver-cancer drug, Proteoglycan Tablets (多糖蛋白片), for enhancing immune system, Biyuan Capules (鼻渊胶囊), an anti-rhinitis medicine, and Amaranth Berberine Capsules (莨菪黄连素胶囊), a drug for acute diarrhea.

During the Reporting Period, the sales revenue of the manufacturing and selling of medicines business from external customers was basically the same as that for the corresponding period last year. In which, the sales of the large-capacity injection of soft bags and plastic bottles series of products were affected by the unsatisfactory results in recent tendering process in some regions of Fujian Province. The Group intends to expand the sales of other bid-winning products to offset the impact of those products on the Group, and also actively preparing for the next bid tender work. On the other hand, thanks to the State's support for the development of herbal medicine industry, as well as the increasing demand for herbal medicine products, the sales revenue of the herbal medicines continues its positive growth. In addition, the TGOP Tablets have won the bids in Fujian Province and Guangdong Province, and the sales of which is good. It is expected that the sales revenue of the TGOP Tablets in this year will have substantial growth as compared with that of last year.

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

Due to the limited production capacity of Fuzhou Production Base, the Group has decided to construct a new production base ("Lianjiang Production Base") in Lianjiang County, Fuzhou, Fujian Province, the PRC. The lands of Lianjiang Production Base were delivered to the Group in 2015 and were at the initial construction stage during the year 2016. Affected by several and mixed factors, the progress of construction project of Lianjiang Production Base was slowed down. The Group has been actively communicating with the related parties to seek a better solution as soon as possible.

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

FINANCIAL REVIEW

The Group's revenue for the Reporting Period was approximately RMB347,786,000, representing an increase of approximately 4% from approximately RMB334,403,000 for the corresponding period of last year. For the revenue, approximately RMB207,340,000 which amounted to approximately 59.62% of the revenue was derived from the manufacturing and selling of medicines business, while approximately RMB140,446,000 which amounted to approximately 40.38% of the revenue was derived from the purchase and sales of medicines and healthcare food products business. During the Reporting Period, the revenue from the manufacturing and selling of medicines business remained stable as compared with the corresponding period of last year. As for the purchase and sales of medicines and healthcare food products business, revenue increased by approximately 10.65% as compared with the corresponding period of last year, therefore overall revenue of the Group increased slightly.

During the Reporting Period, the Group's gross profit margin was approximately 50%, which remained stable as compared with the corresponding period of last year. During the Reporting Period, the Group's gross profit was approximately RMB173,276,000, representing an increase of approximately 3.89% from approximately RMB166,782,000 for the corresponding period of last year. Gross profit increased mainly attributable to the increase in the Group's total revenue and the stable gross profit margin.

During the Reporting Period, the Group's selling and distribution expenses were approximately RMB107,019,000, representing an increase of approximately 12.92% from approximately RMB94,772,000 for the corresponding period of last year. The increase in selling and distribution expenses was mainly due to the fact that (i) sales scale of the purchase and sales of medicines and healthcare food products business increased, and thus the selling expenses increased correspondingly; and (ii) due to the “one invoice system” (一票制) in Fujian Province, related pharmaceutical manufacturing subsidiaries of the Group started to supply directly to terminal medical institutions since the second quarter of last year, thus only three months of delivery costs were reflected in the interim period of last year, while six months of delivery costs were reflected during the Reporting Period. Therefore selling expenses increased as compared with the corresponding period of last year.

During the Reporting Period, the Group's administrative expenses were approximately RMB23,421,000, representing a decrease of approximately 12.29% from RMB26,703,000 for the corresponding period of last year. The decrease in administrative expenses was mainly due to the fact that depreciation and related operating costs of the Group were reduced.

During the Reporting Period, the Group's other operating expenses amounted to approximately RMB12,336,000, representing a decrease of approximately 23.35% from approximately RMB16,094,000 for the corresponding period of last year. The decrease in other operating expenses was mainly due to (i) the decrease in research and development expenses; and (ii) the decrease in write down of inventories.

During the Reporting Period, the Group's finance costs amounted to approximately RMB1,674,000, representing a decrease of approximately 24.01% from approximately RMB2,203,000 for the corresponding period of last year. The decrease in the finance costs was mainly due to the decrease of both average bank loan principal and loan interest rate as compared with the corresponding period of last year.

During the Reporting Period, the Group's profit after tax was approximately RMB27,022,000, representing an increase of approximately 5.34% from approximately RMB25,651,000 for the corresponding period of last year. Profit attributable to the owners of the Company was approximately RMB22,473,000, representing an increase of approximately 4.97% from approximately RMB21,409,000 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 2017, the Group's banking facility amounted to RMB100,000,000, which is secured by pledge of buildings and prepaid lease payments of a subsidiary. As at 30 June 2017, such banking facility has been fully utilised and thus short-term bank borrowings of RMB100,000,000 was outstanding.

Shareholder's entrusted loans

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

CONTINGENT LIABILITY

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

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

As far as the Directors and supervisors of the Company are aware, as at 30 June 2017, the interests and short positions of the Directors, supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be and were recorded in the register to be kept by the Company, or were required, pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long positions in the shares of the Company:

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

Note:

- 1 Non-executive Director of the Company

Long positions in shares of associated corporations of the Company:

Director/Chief Executive	Capacity	Type of Interests	Name of associated corporation	Number of shares held in associated corporation	Approximate percentage of the associated corporation's issued share capital
Mr. Zhang Feng (Note (a))	Beneficial owner	Personal	Neptunus Bio-engineering	1,331,093	0.05%
Mr. Liu Zhan Jun (Note (b))	Beneficial owner	Personal	Neptunus Bio-engineering	8,883,793	0.34%
Ms. Yu Lin (Note (c))	Beneficial owner	Personal	Neptunus Bio-engineering	2,144,660	0.08%
Mr. Song Ting Jiu (Note (d))	Beneficial owner	Personal	Neptunus Bio-engineering	1,516,200	0.06%
Mr. Zhao Wen Liang (Note (e))	Beneficial Owner	Personal	Neptunus Bio-engineering	700,000	0.03%
Ms. Mu Ling Xia (Note (f))	Beneficial Owner	Personal	Neptunus Bio-engineering	963,500	0.04%

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 0.04% of the entire issued share capital of Neptunus Bio-engineering, the Company's controlling shareholder, which in turn held directly and indirectly the beneficial interest in approximately 73.51% of the entire issued share capital of the Company, of which 70.38% was directly held and 3.13% was indirectly held through Neptunus Oriental.

Save as disclosed above, as at 30 June 2017, none of the Directors, supervisors or chief executive of the Company nor their respective associates held any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of SFO, or were required, pursuant to section 352 of the SFO to be and were recorded in the register to be kept by the Company, or were required, pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME, CONVERTIBLE SECURITIES AND WARRANTS

Up to 30 June 2017, the Company and its subsidiaries have not adopted any share option scheme and have not granted any option, convertible securities, warrants or other similar rights.

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

So far as the Directors and supervisors of the Company are aware, as at 30 June 2017, the interests and/or short positions held by shareholders (not being a Director, a supervisor or a chief executive of the Company) in shares or underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified to the Company were as follows:

Long positions in the shares of the Company:

Name of Substantial Shareholder	Capacity	Number of domestic shares held	Approximate percentage of the domestic shares	Approximate percentage of the Company's issued share capital
Neptunus Bio-engineering (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 Yinhetong Investment Company Limited ("Yinhetong") (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%
Bank of Hangzhou Co., Ltd., Shenzhen Branch ("Bank of Hangzhou") (Note (f))	Security interest in shares	1,181,000,000	94.33%	70.38%

Notes:

- (a) Neptunus Bio-engineering was deemed to be interested in the 52,464,500 domestic shares of the Company held by Neptunus Oriental as the entire issued share capital of Neptunus Oriental was beneficially owned by Neptunus Bio-engineering. Neptunus Bio-engineering was also directly interested in 1,181,000,000 domestic shares of the Company. Therefore, Neptunus Bio-engineering was directly and indirectly interested in 1,233,464,500 domestic shares of the Company.
- (b) Neptunus Group was deemed to be interested in the 1,233,464,500 domestic shares of the Company, which relate to the same parcel of shares referred to in note (a) above, held by Neptunus Bio-engineering as Neptunus Group was beneficially interested in approximately 45.93% of the entire issued share capital of Neptunus Bio-engineering.
- (c) Yinhetong was deemed to be interested in 1,233,464,500 domestic shares of the Company, which relate to the same parcel of shares referred to in note (a) above, held by Neptunus Bio-engineering as Yinhetong was beneficially interested in approximately 59.68% of the entire issued share capital of Neptunus Group, which in turn was beneficially interested in approximately 45.93% of the entire issued share capital of Neptunus Bio-engineering.
- (d) Mr. Zhang Si Min ("Mr. Zhang") was deemed to be interested in 1,233,464,500 domestic shares of the Company, which relate to the same parcel of shares referred to in note (a) above, held by Neptunus Bio-engineering as Mr. Zhang was beneficially interested in 70% of the entire issued share capital of Yinhetong and the entire issued share capital of Shenzhen Haihe Investment and Development Company Limited ("Haihe"), which in turn was beneficially interested in approximately 59.68% and 20% of the entire issued share capital of Neptunus Group respectively. Neptunus Group was beneficially interested in approximately 45.93% of the entire issued share capital of Neptunus Bio-engineering.
- (e) Ms. Wang Jin Song ("Ms. Wang") was deemed to be interested in 1,233,464,500 domestic shares of the Company, which relate to the same parcel of shares referred to in note (a) above, held by Neptunus Bio-engineering as Ms. Wang is the spouse of Mr. Zhang and was taken to be beneficially interested in any shares held by Mr. Zhang.
- (f) Bank of Hangzhou was deemed to be interested in 1,181,000,000 domestic shares of the Company held by Neptunus Bio-engineering, as such domestic shares have been pledged to Bank of Hangzhou.

Save as disclosed above, the Directors and supervisors of the Company are not aware of any other persons (except the Directors, supervisors or chief executive of the Company) who held any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 30 June 2017.

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

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

COMPETING INTERESTS

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

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

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

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

Shenzhen, the PRC, 14 August 2017

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

* For identification purpose only