



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 2023**

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This announcement, for which the directors (the "Directors") of Shenzhen Neptunus Interlong Bio-technique Company Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors of the Company, 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 2023 (the “Reporting Period”), together with the unaudited comparative figures for the corresponding period of 2022.

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

for the three months and six months ended 30 June 2023

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	4	255,813	223,171	555,531	438,869
Cost of sales		(151,300)	(132,856)	(310,215)	(251,011)
Gross profit		104,513	90,315	245,316	187,858
Other revenue	4	2,671	8,387	5,838	10,643
Other net income	4	1,272	69	1,586	490
Selling and distribution expenses		(60,302)	(54,768)	(147,759)	(108,208)
Administrative expenses		(18,248)	(19,236)	(41,207)	(41,600)
Other operating expenses		(14,098)	(12,816)	(24,053)	(20,740)
Profit from operations		15,808	11,951	39,721	28,443
Finance costs	6(a)	(1,643)	(1,512)	(3,247)	(3,162)
Profit before taxation	6	14,165	10,439	36,474	25,281
Income tax expenses	7	(2,273)	(4,112)	(5,384)	(7,446)
Profit and total comprehensive income for the period		11,892	6,327	31,090	17,835
Profit/(loss) and total comprehensive income/(expense) for the period attributable to:					
Owners of the Company		13,617	9,803	29,881	20,344
Non-controlling interests		(1,725)	(3,476)	1,209	(2,509)
		11,892	6,327	31,090	17,835
Earnings per share					
Basic and diluted	9	RMB0.81 cents	RMB0.58 cents	RMB1.78 cents	RMB1.21 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

as at 30 June 2023

	Notes	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	210,949	207,674
Right-of-use assets		83,621	91,830
Intangible assets		108,141	110,400
Goodwill		96,524	96,524
Deposits for acquisition of property, plant and equipment		1,557	1,435
Deposit for acquisition of land use right		9,817	9,817
Deferred tax assets		5,478	5,461
Time deposits		—	30,000
		<u>516,087</u>	<u>553,141</u>
Current assets			
Inventories		222,779	203,023
Trade and other receivables	11	373,628	341,968
Short-term bank deposits		80,007	60,000
Bank balances and cash		237,442	290,098
		<u>913,856</u>	<u>895,089</u>
Current liabilities			
Trade and other payables	12	246,454	267,483
Contract liabilities		25,018	43,578
Interest-bearing borrowings	13	84,228	85,028
Deferred revenue		201	401
Lease liabilities	14	1,341	3,181
Current taxation		4,716	13,052
		<u>361,958</u>	<u>412,723</u>
Net current assets		<u>551,898</u>	<u>482,366</u>
Total assets less current liabilities		<u>1,067,985</u>	<u>1,035,507</u>

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

as at 30 June 2023

	Notes	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Non-current liabilities			
Interest-bearing borrowings	13	4,127	2,909
Deferred revenue		590	589
Deferred tax liabilities		24,636	25,131
Lease liabilities	14	2,238	1,574
		<u>31,591</u>	<u>30,203</u>
Net assets		<u>1,036,394</u>	<u>1,005,304</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		167,800	167,800
Reserves		746,123	716,242
Total		<u>913,923</u>	<u>884,042</u>
Non-controlling interests		<u>122,471</u>	<u>121,262</u>
Total equity		<u>1,036,394</u>	<u>1,005,304</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the six months ended 30 June 2023

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Capital reserve	Statutory reserve fund	Retained earnings	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022 (audited)	167,800	554,844	(188,494)	49,611	245,935	829,696	114,704	944,400
Profit/(Loss) and total comprehensive income/(expenses) for the period	–	–	–	–	20,344	20,344	(2,509)	17,835
At 30 June 2022 (unaudited)	<u>167,800</u>	<u>554,844</u>	<u>(188,494)</u>	<u>49,611</u>	<u>266,279</u>	<u>850,040</u>	<u>112,195</u>	<u>962,235</u>
At 1 January 2023 (audited)	167,800	554,844	(188,494)	51,082	298,810	884,042	121,262	1,005,304
Profit and total comprehensive income for the period	–	–	–	–	29,881	29,881	1,209	31,090
At 30 June 2023 (unaudited)	<u>167,800</u>	<u>554,844</u>	<u>(188,494)</u>	<u>51,082</u>	<u>328,691</u>	<u>913,923</u>	<u>122,471</u>	<u>1,036,394</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

for the six months ended 30 June 2023

For the six months ended 30 June

	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Operating cash flows before changes in working capital	58,633	50,567
Changes in working capital		
Increase in inventories	(25,769)	(19,275)
(Increase)/Decrease in trade and other receivables	(31,363)	143
(Decrease)/Increase in trade and other payables and contract liabilities	(39,589)	37,228
Cash (used in)/generated from operations	(38,088)	68,663
Income tax paid	(14,232)	(4,201)
Net cash (used in)/generated from operating activities	(52,320)	64,462
Investing activities		
Deposits for acquisition of property, plant and equipment	(2,950)	(3,434)
Additions to intangible assets	(131)	(20)
Purchase of property, plant and equipment	(6,904)	(4,673)
Proceeds from disposal of property, plant and equipment	101	50
(Increase)/Decrease in short-term bank deposits	(20,007)	22,364
Interest received	3,560	2,953
Decrease in long-term time deposit	30,000	–
Net cash generated from investing activities	3,669	17,240

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) (CONTINUED)

for the six months ended 30 June 2023

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Financing activities		
Repayment of interest-bearing bank borrowings	(9,212)	(40,067)
Proceeds from interest-bearing bank borrowings	9,630	5,000
Interest paid	(3,150)	(3,138)
Payment of lease liabilities	(1,273)	(3,384)
Net cash used in financing activities	(4,005)	(41,589)
Net (decrease)/increase in cash and cash equivalents	(52,656)	40,113
Cash and cash equivalents at the beginning of the period	290,098	227,144
Cash and cash equivalents at the end of the period	237,442	267,257
Analysis of cash and cash equivalents at 30 June		
Bank balances and cash	237,442	267,257

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2023

1. CORPORATE INFORMATION

Shenzhen Neptunus Interlong Bio-technique Company Limited (the “Company”) is a limited liability company incorporated and domiciled in the People’s Republic of China (the “PRC”). The address of its registered office is Suite 1702, Neptunus Yinhe Technology Mansion, 1 Keji Middle 3rd Road, Maling Community, Yuehai Sub-district, Nanshan District, Shenzhen, the PRC and its principal place of business is PRC. The Company’s shares are listed on GEM of The Stock Exchange of Hong Kong Limited.

The principal activities of the Company and its subsidiaries (the “Group”) include the development, production and sales of medicines, the research and development of modern biological technology business and the purchase and sales of medicines and healthcare food products. The Group’s operations are based in the PRC.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements for the six months ended 30 June 2023 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”). It’s authorised for issue on 11 August 2023.

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 2022, except for the adoption of the new and amended Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2023 as disclosed in note 3(a) to this condensed consolidated interim financial statements. The condensed consolidated interim 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 2022.

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) New and amended HKFRSs effective on 1 January 2023

During the Reporting Period, the Group has applied for the first time the following 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 2023:

HKFRS 17	Insurance Contracts with related amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	Income Taxes: Pillar Two Model Rules

The adoption of the amended HKFRSs had no material impact on how the results and 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 ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective date not yet determined

The directors are currently assessing the possible impact of these new and amended HKFRSs 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 on the Group's condensed consolidated financial statements.

4. REVENUE AND OTHER REVENUE

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

	For the three months ended 30 June		For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue				
Manufacturing and selling of medicines	190,839	159,479	407,492	310,182
Sales and distribution of medicines and healthcare products	64,974	63,692	148,039	128,687
	<u>255,813</u>	<u>223,171</u>	<u>555,531</u>	<u>438,869</u>
	For the three months ended 30 June	2022	For the six months ended 30 June	2022
	2023 RMB'000 (Unaudited)	RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	RMB'000 (Unaudited)
Other revenue				
Interest income from bank deposits	1,826	1,550	3,560	2,953
Licence fee income	–	4,721	–	4,721
Government subsidies				
–released from deferred revenue	89	100	199	200
–directly recognised in profit or loss	115	1,649	1,283	2,295
Others	641	367	796	474
	<u>2,671</u>	<u>8,387</u>	<u>5,838</u>	<u>10,643</u>
Other net income				
Reversal of impairment loss on trade receivables	1,381	–	1,438	421
(Write-down)/reversal of write down of inventories	(176)	–	–	–
Net foreign exchange gains	47	20	47	20
Gain on disposal of property, plant and equipment	20	49	101	49
	<u>1,272</u>	<u>69</u>	<u>1,586</u>	<u>490</u>

5. SEGMENT REPORTING

The Group manages its business by divisions, which are organised by a mixture of both business lines (products and services) and geographical location. In a manner consistent with the way in which information is reported internally to the Group's executive directors, being the chief operating decision maker, for the purpose of resources allocation and performance assessment, the Group has presented the following two reportable segments.

- (i) Manufacturing and selling of medicines; and
- (ii) Sales and distribution of medicines and healthcare products.

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, sales of medicines and medical devices.

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

(a) Segment results, assets and liabilities

Segment assets include all current 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 revenue generated by and expenses incurred by those segments except for corporate income and expenses which are not directly attributable to the business activities of any reportable segment. Inter-segment revenue are priced with reference to prices charges to external parties for similar orders.

5. SEGMENT REPORTING (CONTINUED)

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

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenue for the six months ended 30 June 2023 and 2022.

(b) Reconciliations of reportable segment revenue, profit before taxation, assets and liabilities

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue		
Reportable segment revenue	602,183	461,618
Elimination of inter-segment revenue	<u>(46,652)</u>	<u>(22,749)</u>
Consolidated revenue	<u>555,531</u>	<u>438,869</u>
Profit before taxation		
Reportable segment profit	37,555	27,016
Elimination of inter-segment profit	<u>(260)</u>	<u>(728)</u>
Reportable segment profit derived from the Group's external customers	37,295	26,288
Unallocated corporate expenses	<u>(821)</u>	<u>(1,007)</u>
Consolidated profit before taxation	<u>36,474</u>	<u>25,281</u>

5. SEGMENT REPORTING (CONTINUED)

(b) Reconciliations of reportable segment revenue, profit before taxation, assets and liabilities (Continued)

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Assets		
Reportable segment assets	1,723,455	1,716,758
Elimination of inter-segment receivables	<u>(298,990)</u>	<u>(273,989)</u>
	1,424,465	1,442,769
Deferred tax assets	<u>5,478</u>	<u>5,461</u>
Consolidated total assets	<u><u>1,429,943</u></u>	<u><u>1,448,230</u></u>
Liabilities		
Reportable segment liabilities	664,537	678,732
Elimination of inter-segment payables	<u>(300,340)</u>	<u>(273,989)</u>
	364,197	404,743
Current taxation	4,716	13,052
Deferred tax liabilities	<u>24,636</u>	<u>25,131</u>
Consolidated total liabilities	<u><u>393,549</u></u>	<u><u>442,926</u></u>

5. SEGMENT REPORTING (CONTINUED)

(c) Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	For the six months ended 30 June	
	At 30 June 2023 RMB'000 (Unaudited)	At 30 June 2022 RMB'000 (Unaudited)
Sales of medicines and healthcare products	446,340	391,066
Sales of medical devices	109,191	47,803
	<u>555,531</u>	<u>438,869</u>

(d) Geographical information

The Group's revenue was derived from business activities in the PRC and the specified non-current assets of the Group were located in the PRC. Accordingly, no analysis by geographical segment is provided.

(e) Disaggregation of revenue from contracts with customers

The Group derives revenue from sales of medicines, healthcare products and medical devices at a point in time from the following types of customer:

	Hospital RMB'000 (Unaudited)	Pharmacy RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
For the six months ended 30 June 2023				
Manufacturing and selling of medicines	38,388	365,636	3,468	407,492
Sales and distribution of medicines and healthcare products	–	148,039	–	148,039
	<u>38,388</u>	<u>513,675</u>	<u>3,468</u>	<u>555,531</u>
	Hospital RMB'000 (Unaudited)	Pharmacy RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
For the six months ended 30 June 2022				
Manufacturing and selling of medicines	37,620	269,757	2,805	310,182
Sales and distribution of medicines and healthcare products	–	128,328	359	128,687
	<u>37,620</u>	<u>398,085</u>	<u>3,164</u>	<u>438,869</u>

6. PROFIT BEFORE TAXATION

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

	For the three months ended 30 June		For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
(a) Finance costs				
Interest on interest-bearing borrowings	1,599	1,501	3,150	3,138
Finance charges on lease liabilities	44	11	97	24
	<u>1,643</u>	<u>1,512</u>	<u>3,247</u>	<u>3,162</u>
(b) Staff costs (including directors' emoluments)				
Salaries, wages and other benefits	29,642	30,210	62,230	62,068
Contributions to defined contribution retirement plans	5,217	5,275	10,907	10,818
	<u>34,859</u>	<u>35,485</u>	<u>73,137</u>	<u>72,886</u>
(c) Other items				
Depreciation of right-of-use assets	1,112	2,168	2,718	3,440
Amortisation of intangible assets*	1,197	1,186	2,390	2,373
Depreciation of property, plant and equipment	5,728	4,707	11,639	10,471
Cost of inventories	142,759	115,569	297,569	230,945
Research & development costs*	7,199	6,592	14,518	13,489
Impairment of:				
– trade receivables*	–	957	506	1,004
– other receivables*	–	126	635	126
Reversal of impairment loss of trade receivables	(1,381)	(421)	(1,438)	(421)
Loss on disposal of property, plant and equipment, net*	157	–	208	–
Write off of property, plant and equipment*	–	267	–	267
Write down of inventories*#	6,153	2,019	6,013	2,047
Auditor's remuneration				
– audit service	–	–	–	–
– non-audit services remuneration	139	377	312	517
Lease charges				
– short-term leases	868	843	1,554	2,931

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

Write down of inventories reference to the Group's inventories aging analysis, projections of expected future saleability of inventories.

7. INCOME TAX EXPENSE/CREDIT

	For the three months ended 30 June		For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current tax				
PRC Enterprise Income Tax ("EIT") Current	2,483	3,405	5,896	6,853
Deferred tax				
Current year	(210)	707	(512)	593
	<u>2,273</u>	<u>4,112</u>	<u>5,384</u>	<u>7,446</u>

Hong Kong Profits Tax has not been provided as the Group had no assessable profits subject to Hong Kong Profits Tax during the Reporting Period (30 June 2022: Nil).

During the Reporting Period, three subsidiaries (30 June 2022: three subsidiaries) of the Group established in the PRC are qualified as "High and New Technology Enterprise". In accordance with the applicable EIT Law of the PRC, these subsidiaries are subject to the PRC EIT at a preferential rate of 15%.

According to a policy promulgated by the State Tax Bureau of the PRC, effective from 2019 onwards, enterprises engage in research and development activities are entitled to claim 200% (30 June 2022: 175%) of the research and development expenses incurred in a year as tax deductible expenses in determining the taxable profits for that year ("Super Deduction"). Three (30 June 2022: Three) subsidiaries of the Group are eligible to such Super Deduction in ascertaining its assessable profits for the Reporting Period.

The Company and other PRC subsidiaries are subject to the PRC EIT at a rate of 25% for the Reporting Period (30 June 2022: 25%).

8. DIVIDENDS

The directors do not propose the payment of any dividend for the Reporting Period (2022: Nil).

9. EARNINGS PER SHARE

Basic earnings per share

For the three months and six months ended 30 June 2023, the calculation of basic earnings per share has been based on the profit attributable to owners of the Company of approximately RMB13,617,000 and RMB29,881,000, respectively (three months and six months ended 30 June 2022: profit of approximately RMB9,803,000 and RMB20,344,000, respectively) and the weighted average number of 1,678,000,000 ordinary shares in issue for the three months and six months ended 30 June 2023 (three months and six months ended 30 June 2022: 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 2023 and 2022 equals to basic earnings per share as 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 carrying amount of the disposed/write off by the Group were approximately RMB6,904,000 (30 June 2022: RMB4,673,000) and RMB309,000 (30 June 2022: RMB267,000), respectively.

In addition, during the Reporting Period, the Group has entered into lease agreements for PRC office and had recognised right-of-use assets amounted to approximately RMBNil (six months ended 30 June 2022: RMB185,000).

11. TRADE AND OTHER RECEIVABLES

		At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
	Notes		
Trade receivables		210,517	177,007
Less: expected credit loss ("ECL") allowance		<u>(19,748)</u>	<u>(24,120)</u>
		<u>190,769</u>	<u>152,887</u>
Bills receivables	(i)	<u>31,602</u>	<u>52,134</u>
		<u>222,371</u>	<u>205,021</u>
Amounts due from fellow subsidiaries		62,465	60,288
Amounts due from related companies		3,625	4,487
Amount due from an intermediate parent company		251	330
Amount due from immediate parent company		5	2
Other receivables	(ii)	29,194	8,796
Prepayment and deposits	(ii)	58,177	64,869
Less: ECL allowance		<u>(2,460)</u>	<u>(1,825)</u>
		<u>151,257</u>	<u>136,947</u>
		<u>373,628</u>	<u>341,968</u>

Notes:

- (i) 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 and therefore, the ECL allowance of these receivables are considered to be insignificant.
- (ii) Other receivables, prepayment and deposits mainly represent deposits prepaid in advance to suppliers of approximately RMB20,328,000 (2022: approximately RMB22,591,000), which aged within one year and earnest money paid for potential investment of approximately RMB15,000,000 (2022: approximately RMB15,000,000).

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

(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:

Trade receivables

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Within 3 months	113,656	120,856
4 to 6 months	57,417	13,485
7 to 12 months	11,417	8,247
Over 1 year	8,279	10,299
	<u>190,769</u>	<u>152,887</u>

Bills receivables

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Within 3 months	31,602	17,582
4 to 6 months	-	34,301
7 to 12 months	-	251
	<u>31,602</u>	<u>52,134</u>

11. 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 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Balance at 1 January	24,120	25,520
ECL recognised during the period/year	506	3,766
ECL reversed during the period/year	(1,438)	(923)
Amount written off during the period/year	(3,440)	(4,243)
At 30 June/31 December	<u>19,748</u>	<u>24,120</u>

(c) Impairment of other receivables

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

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Balance at 1 January	1,825	1,920
ECL recognised during the period/year	635	–
ECL reversed during the period/year	–	(12)
Amount written off during the period/year	–	(83)
At 30 June/31 December	<u>2,460</u>	<u>1,825</u>

12. TRADE AND OTHER PAYABLES

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

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Within 3 months	102,409	53,404
4 to 6 months	9,021	16,090
7 to 12 months	12,529	31,125
Over 1 year	6,358	13,384
Trade and bills payables	130,317	114,003
Other payables and accruals	103,787	125,191
Amounts due to fellow subsidiaries	280	4,935
Amount due to intermediate parent company	525	607
Amounts due to related companies	5,745	2,500
Amount due to a non-controlling shareholder	–	20,247
Amount due to an immediate holding company	5,800	–
	<u>246,454</u>	<u>267,483</u>

13. INTEREST-BEARING BORROWINGS

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Non-current liabilities		
Other borrowings	(a) <u>4,127</u>	2,909
Current liabilities		
Short-term bank loans	(b) <u>81,090</u>	83,106
Other borrowings	(a) <u>3,138</u>	1,922
	<u>84,228</u>	<u>85,028</u>
	<u>88,355</u>	<u>87,937</u>

13. INTEREST-BEARING BORROWINGS (CONTINUED)

Notes:

(a)(i) As at 30 June 2023, other borrowings of RMB3,870,000 (2022: RMB4,831,000) from a third party were secured by a pledge of the Group's furniture, fixtures and equipment. The effective interest rate was 6.5%.

(a)(ii) As at 30 June 2023, other borrowings of RMB3,395,000 (2022: RMB Nil) from a third party were secured by a pledge of the Group's furniture, fixtures and equipment. The effective interest rate was 65%.

The other borrowings were repayable as follows:

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Carrying amount repayable		
Within one year	3,138	1,922
In the second year	3,138	1,922
In the third to fifth year	989	987
	<u>7,265</u>	<u>4,831</u>

(b) As at 30 June 2023, the interest-bearing bank borrowings were denominated in RMB, repayable within one year (2022: one year) and the securities were as follows:

- Bank borrowings of RMB20,021,000 (2022: RMB20,023,000) were secured by a pledge of the Group's buildings. The effective interest rate was 3.7% (2022: 3.70%).
- Bank borrowings of RMB37,044,000 (2022: RMB37,047,000) were secured by a guarantee from a non-controlling shareholder of a subsidiary and a pledge of the Group's buildings. The effective interest rate was 3.95% to 4.35% (2022: 4.05% to 4.35%).
- Bank borrowings of RMB14,012,000 (2022: RMB15,021,000) were secured by a guarantee from a non-controlling shareholder of a subsidiary and a subsidiary of the Group. The effective interest rate was 4.5% to 5% (2022: 4.8% to 5%).
- Bank borrowings of RMB5,007,000 (2022: RMB5,007,000) were secured by a guarantee from a non-controlling shareholder of a subsidiary. The effective interest rate was 4.8%(2022: 4.5%).
- Bank borrowings of RMB5,006,000 (2022: RMB6,008,000) were unsecured. The effective interest rate was 4.5% (2022:4.5%).

14. LEASE LIABILITIES

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Total minimum lease payments:		
Due within one year	1,429	3,341
Due in the second to fifth years	2,351	1,714
	<u>3,780</u>	<u>5,055</u>
Future finance charges on leases liabilities	(201)	(300)
	<u>3,579</u>	<u>4,755</u>
Present value of leases liabilities		
Present value of minimum lease payments:		
Due within one year	1,341	3,181
Due in the second to fifth years	2,238	1,574
	<u>3,579</u>	<u>4,755</u>
Less: Portion due within one year included under current liabilities	(1,341)	(3,181)
	<u>2,238</u>	<u>1,574</u>
Portion due after one year included under non-current liabilities		

During the six-months ended 30 June 2023, the total cash outflows for the leases are approximately RMB2,827,000 (2022: RMB6,315,000).

15. COMMITMENTS

(a) Capital commitments outstanding:

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Property, plant and equipment		
Contracted but not provided for:		
Property, plant and equipment	<u>791</u>	<u>990</u>

15. COMMITMENTS (CONTINUED)

(b) Lease commitments

At 30 June 2023, the lease commitments for short-term leases are as follows:

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Within 1 year	882	1,764

16. MATERIAL RELATED PARTY TRANSACTIONS

(a) Related party transactions:

Name of related parties	Relationship	Nature of transaction	Notes	For the six months ended 30 June	
				2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Shenzhen Neptunus Group Company Limited ("Neptunus Group")	Intermediate parent company	Rental of office	(i)(iii)	716	769
Shenzhen Neptunus Bio-engineering Co. Ltd. ("Neptunus Bio-engineering")	Immediate parent company	Sales of goods	(ii)(iii)	8	8
Zhongshan Changjian Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	97	456
Shenzhen Shenye Pharmaceutical Development Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	1,573	327
Henan Neptunus Pharmaceutical Group Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	642	1,372
Henan Enji Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	72	506
Shandong Neptunus Yinhe Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	6,274	5,800
Shenzhen Neptunus Pharmaceutical Company Limited	Fellow subsidiary	Purchase of finished goods	(ii)(iii)	30,336	32,201
		Rental expense	(ii)(iii)	148	148

16. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related party transactions: (Continued)

Name of related parties	Relationship	Nature of transaction	Notes	For the six months ended 30 June	
				2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Shenzhen Neptunus Pharmaceutical Technology Research Company Limited ("Neptunus Research")	Fellow subsidiary	Research and development income	(iii)(v)	388	3
		Purchase of finished goods	(ii)(iii)	123	–
Guangxi Neptunus Yinhe Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	54	57
Anyang Hengfeng Pharmaceutical Company, Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	41	454
Guangxi Guilin Neptunus Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	1,201	1,180
Anhui Neptunus Guoan Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	301	324
Sulu Neptunus Pharmaceutical Group Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	102	46
Jining Neptunus Huasen Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	96	104
Zhoukou Renhe Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	571	1,248
Henan Neptunus Yinhe Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	442	296
Neptunus (Zhanjiang) Medical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	383	13
Shaoyang Neptunus Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	183	331
Anhui Neptunus Pharmaceutical Group Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	427	430

16. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related party transactions: (Continued)

Name of related parties	Relationship	Nature of transaction	Notes	For the six months ended 30 June	
				2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Nanning Neptunus Jiankang Bio-technology Company Limited	Related company	Purchases of goods	(ii)(iv)	9,906	1,663
Jilin Neptunus Jiankang Bio-technology Company Limited	Related company	Purchases of goods	(ii)(iv)	5,233	125
Jiangsu Nepstar Pharmaceutical Company Limited	Related company	Sales of goods	(ii)(iv)	3,111	1,041
Shenzhen Neptunus Yidianshao Pharmaceutical Company Limited (previously known as "Shenzhen Nepstar Pharmaceutical Company Limited")	Related company	Sales of goods	(ii)(iv)	4,259	3,122
Xinjiang Neptunus Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	331	185
Kashi Neptunus Yinhe Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	457	209
Henan Zuojinming Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	17	412
Lu'an Neptunus Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	48	145
Guangdong Neptunus Medical Group Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	1,114	286
Henan Guanbao Yuntong Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	640	172
Shandong Neptunus Yangguang Xinnuo Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	–	447

16. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related party transactions: (Continued)

Name of related parties	Relationship	Nature of transaction	Notes	For the six months ended 30 June	
				2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Fuzhou Nepstar Health Drugstore Chain Company Limited	Related company	Sales of goods	(ii)(iv)	108	877
		Purchases of goods	(ii)(iv)	192	–
Heilongjiang Province Neptunus Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	174	1,565
Shenzhen Neptunus JiankangShiye Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	780	–
Binzhou Neptunus Huanghe Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	105	–
Henan Dongsen Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	221	–
Hubei Neptunus Pharmaceutical Group Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	104	–
Shandong Neptunus Pharmaceutical Group Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	221	–

16. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related party transactions: (Continued)

Name of related parties	Relationship	Nature of transaction	Notes	For the six months ended 30 June	
				2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Qingdao Huaren Medical Delivery Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	437	–
Neptunus Medical Delivery Services (Fujian) Company Limited Xiamen Branch	Fellow subsidiary	Sales of goods	(ii)(iii)	527	–
Jilin Neptunus Jiankang Technology Development Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	4,233	–

Notes:

- (i) Neptunus Group leased office premises to the Group, the rental of office premises was charged at pre-agreed rate with reference to market rates.
- (ii) The purchases, sales and rental of storage 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.
- (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.
- (v) The research and development income are from technical development cooperation with Neptunus Research.

16. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties

Name of related parties	Amounts due from related parties		Amounts due to related parties	
	At	At	At	At
	30 June	31 December	30 June	31 December
	2023	2022	2023	2022
RMB'000	RMB'000	RMB'000	RMB'000	
(Unaudited)	(Audited)	(Unaudited)	(Audited)	
Amount due from immediate parent company	5	2	5,800	–
Amount due from/to an intermediate parent company	251	330	525	607
Amounts due from/to fellow subsidiaries:				
Shenzhen Neptunus Pharmaceutical Co., Ltd	8,459	52	–	3,560
Shandong Neptunus Yinhe Pharmaceutical Company Limited	14,160	14,610	–	28
Anhui Neptunus Pharmaceutical Group Company Limited	71	86	–	20
Henan Neptunus Pharmaceutical Group Company Limited	9,048	9,648	–	–
Sulu Neptunus Pharmaceutical Group Company Limited	–	–	–	77
Shenzhen Quanyaowang Pharmaceutical Company Limited	856	856	–	–
Anyang Hengfeng Pharmaceutical Company Limited	115	218	–	–
Shenzhen Neptunus Property Management Company Limited	72	67	–	–
Henan Neptunus Yinhe Pharmaceutical Company Limited	8	79	25	24
Shenzhen Neptunus Jiankang Shiye Company Limited	139	122	–	–
Guangxi Guilin Neptunus Pharmaceutical Company Limited	235	579	–	62
Shaoyang Neptunus Pharmaceutical Company Limited	–	–	45	–
Qingdao Huaren Pharmaceutical Distribution Company Limited	158	206	–	–
Guangxi Neptunus Yinhe Pharmaceutical Company Limited	–	–	–	8
Heilongjiang Province Neptunus Pharmaceutical Company Limited	145	512	–	–
Henan Enji Pharmaceutical Company Limited	87	285	–	–
Neptunus (Shaoguan) Medical Company Limited	–	–	–	20
Kashi Neptunus Yinhe Pharmaceutical Company Limited	–	–	–	58
Guangdong Neptunus Medical Group Company Limited	16,304	19,416	–	15
Henan Guanbao Yuntong Pharmaceutical Company Limited	263	375	–	–
Henan Zuojinming Pharmaceutical Company Limited	–	96	146	–
Zhoukou Renhe Pharmaceutical Company Limited	51	114	–	–
Shenzhen Shenye Pharmaceutical Development Company Limited	452	132	–	–
Henan Dongsen Pharmaceutical Company Limited	65	20	–	–
Xinjiang Neptunus Pharmaceutical Company Limited	94	–	–	–

16. 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	
	At	At	At	At
	30 June	31 December	30 June	31 December
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Jilin Neptunus Jiankang Technology Development Company Limited	11,417	12,723	-	-
Neptunus Research	-	-	48	789
Tengzhou Neptunus Pharmaceutical Company Limited	-	-	-	4
Neptunus (Zhanjiang) Medical Company Limited	-	-	-	55
Xinjiang Neptunus Hongkang Medical Technology Company Limited	-	-	-	1
Binzhou Neptunus Huanghe Pharmaceutical Company Limited	-	-	-	99
Xinjiang Neptunus Xinjia Pharmaceutical Company Limited	-	-	-	7
Hubei Neptunus Deming Pharmaceutical Company Limited	13	12	16	-
Shenzhen Neptunus Media Jiankang Company Limited	32	32	-	-
Heze Neptunus Pharmaceutical Co., Ltd.	-	5	-	-
Hubei Neptunus Pharmaceutical Group Company Limited	8	43	-	18
Luan Neptunus Pharmaceutical Company Limited	-	-	-	55
Jiangsu Neptunus Pharmaceutical Company Limited	-	-	-	17
Jining Neptunus Huasen Pharmaceutical Company Limited	-	-	-	18
Neptunus Medical Delivery Services (Fujian) Company Limited Xiamen Branch	213	-	-	-
	62,465	60,288	280	4,935

16. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties (Continued)

Name of related parties	Note	Amounts due from related parties		Amounts due to related parties	
		At 30 June 2023	At 31 December 2022	At 30 June 2023	At 31 December 2022
		RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Unaudited)	RMB'000 (Audited)
Amounts due from/to related companies:					
Shenzhen Neptunus Yidiangao Pharmaceutical Company Limited		710	1,035	-	-
Jiangsu Nepstar Pharmaceutical Company Limited		1,147	749	-	-
Jilin Neptunus Jiangkang Bio-technology Company Limited		-	-	5,697	2,045
Nanning Neptunus Jiangkang Bio-technology Company Limited		1,630	2,202	-	-
Shenzhen Nepstar Health Drugstore Chain Company Limited		4	4	-	-
Liaoning Province Nepstar Pharmaceutical Trading Company Limited		134	497	-	-
Shenzhen Neptunus Dayuancao BioTechnique Company Limited		-	-	48	260
Fuzhou Nepstar Jiankang Drugstore Chain Company Limited		-	-	-	195
		<u>3,625</u>	<u>4,487</u>	<u>5,745</u>	<u>2,500</u>
Amount due to a non-controlling shareholder		-	-	-	20,247
		<u>66,346</u>	<u>65,107</u>	<u>12,350</u>	<u>28,289</u>

* The English translation of the Chinese name in these consolidated financial statements, where indicated, is included for information purpose only.

16. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties (Continued)

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

The Group's amounts due from/to related parties which are of trade nature and non-trade nature, consisted of the following:

	Amounts due from related parties		Amounts due to related parties	
	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Trade nature				
Amounts due from/to fellow subsidiaries	62,393	60,221	280	4,935
Amounts due from/to related companies	3,625	4,487	5,745	2,500
	<u>66,018</u>	<u>64,708</u>	<u>6,025</u>	<u>7,435</u>
Non-trade nature				
Amount due from immediate parent company	5	2	5,800	–
Amount due from/to an intermediate parent company	251	330	525	607
Amounts due from/to fellow subsidiaries	72	67	–	–
Amounts due to a non-controlling shareholder	–	–	–	20,247
	<u>328</u>	<u>399</u>	<u>6,325</u>	<u>20,854</u>
	<u>66,346</u>	<u>65,107</u>	<u>12,350</u>	<u>28,289</u>

16. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties (Continued)

The ageing analysis of amounts due from related parties arising from the ordinary course of business which are of trade nature, based on invoice date is as follows:

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Within 3 months	19,803	51,951
More than 3 months but less than 12 months	32,229	2,666
Over 12 months	13,986	10,091
	<u>66,018</u>	<u>64,708</u>

The ageing analysis of amounts due to related parties arising from the ordinary course of business which are of trade nature, based on invoice date is as follows:

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Within 3 months	6,025	7,077
Over 12 months	-	358
	<u>6,025</u>	<u>7,435</u>

(c) Key management personnel remuneration

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Short-term employee benefits	4,310	3,644
Post-employment benefits	246	248
	<u>4,556</u>	<u>3,892</u>

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 several therapeutic areas which are oncology, cardiovascular system, respiratory system, digestive system and mental disorders.

Research and Development, Manufacturing and Selling of Medicines and Medical Devices

The Group has two pharmaceutical production bases, which are respectively located in Jin'an District, Fuzhou, Fujian Province, the PRC ("Fuzhou Production Base") and Miyun Economic Development Zone, Beijing City, the PRC ("Beijing Production Base"). The Fuzhou Production Base possesses 366 Guo Yao Zhun Zi approval documents for Chinese medicines (including more than a dozen of dosage forms such as tablets, capsules, granules, oral solutions and tinctures) and chemical medicines (which include various dosage forms namely tablets, capsules, granules, small volume injections and large volume injections) in total, of which 235 varieties are included in the "Catalogue of Drugs for Basic National Medical Insurance" (國家基本醫療保險藥品目錄), and 146 products are included in the "National Essential Drug List" (國家基本藥品目錄). In addition, the Fuzhou Production Base is the only narcotic production base in Fujian Province designated by the State. The Beijing Production Base mainly produces chemical medicines (tablets, hard capsules and powders) and holds 137 Guo Yao Zhun Zi approval documents, of which 89 products are included in the "Catalogue of Drugs for Basic National Medical Insurance" and 60 products are included in the "National Essential Drug List".

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. Three pharmaceutical manufacturing subsidiaries of the Company are recognized as high-tech enterprises and all of them are entitled to enjoy preferential corporate income tax treatment for high-tech enterprises. Over the years, the Group has consistently promoted its research and development innovation strategy and continued to invest in the consistency evaluation of generic medicine and the research and development of new medicines. Currently, the Group owns a total of 35 patents for inventions. In respect of consistency evaluation, 4 of the Group's products have passed the consistency evaluation, including Sodium Bicarbonate Tablets (碳酸氫鈉片), Norfloxacin Capsules (諾氟沙星膠囊), Metformin Hydrochloride Tablets (鹽酸二甲雙胍片) and Propranolol Hydrochloride Tablets (鹽酸普萘洛爾片). The consistency evaluation of several other products is being carried out in an orderly manner, including Vitamin B6 Tablets (維生素 B6片), which evaluation have been completed and are still pending approval, and Benzhexol Hydrochloride Tablets (鹽酸苯海索片) and Vitamin B1 Tablets (維生素 B1片), which have both completed the process verification for consistency evaluation. In the aspect of research and development of new medicines, Doxofylline Injection (多索茶鹼注射液), which was commissioned by the Company's pharmaceutical subsidiary, has been approved. Concentrated Sodium Potassium Magnesium Calcium Injection (鈉鉀鎂鈣注射用濃溶液) has also obtained approval. The Group also possesses 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 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), Disodium Glycyrrhizinate (甘草酸二鈉, a drug for anti-inflammatory and liver protection), Spironolactone Tablets (螺內酯片, a drug for auxiliary diuresis), Ligustrazine Phosphate Tablets (磷酸川芎嗪片, a drug for ischemic cerebrovascular disease), 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).

During the Reporting Period, the two pharmaceutical manufacturing subsidiaries of the Group located in Fujian, in accordance with the established strategies, unified sales policies, complemented each other's strengths, shared resources, opened accounts on an interchangeable basis and integrated development to fully expand the market for key products, basically achieving full coverage of the sales network inside the province, while making use of the national marketing resources of the Neptunus head office and customers' resources to carry out incremental development outside the province. At the same time, they developed the sales layout of distribution channels by dividing them into three major channels according to the characteristics of the products: omni-channel sales, controlled sales and e-commerce sales, and have been continuously developing sales channels and adopting a complementary approach between medical institutions and the distribution market, so as to consolidate and develop the share of our original advantageous products in the medical institutions. The continuous efforts made by these pharmaceutical manufacturing subsidiaries in the areas of production, product quality, sales, inventory and pricing have not only ensured the steady development of the business, but also contributed significantly to the Group's profitability. Beijing Neptunus Zhongxin Pharmaceutical Co., Ltd.* (北京海王中新藥業股份有限公司, "Neptunus Zhongxin"), a pharmaceutical manufacturing subsidiary of the Group located in Beijing, actively responded to the difficult and tense development situation faced by the domestic chemical raw materials pharmaceuticals and the tremendous challenges brought about during the Reporting Period, and promptly followed the industry policies and the market changes by means of expanding production capacity, increasing products, strictly enforcing the quality control, adjusting the portfolio structure, transforming the marketing model and the team, etc., closely focusing on the strategic layout of "shifting products from low gross profit to high gross profit, and shifting the sales team from regional to national", strengthening budget and compliance management, reducing costs and increasing efficiency, and further improving risk control, the operating condition improved and the sales increased over the corresponding period of last year.

Purchase and Sales of Medicines and Healthcare Food Products

Currently, the main products distributed and sold by the Group are medicines and healthcare food products manufactured by the Group and its parent company group, 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). Such products are mainly distributed to the end medical institutions through professional sales promotion companies and to the end users through large and medium-sized chain pharmacies.

During the Reporting Period, the implementation of the policies of the new healthcare reform adversely affected the sales of retail pharmacies, which in turn affected the business of the Group's medicines and healthcare food purchase and sales division to a certain extent, and it is expected that such impact may increase in the future. In order to stabilize its business and safeguard its long-term development, the Group's medicines and healthcare food products division will continue to be focused on integrated planning and timely adjusted its sales strategies, focusing on the sales of key products and vigorously developing the healthcare food products market to actively address adverse impacts to drive results growth. During the Reporting Period, the results of the Group's medicines and healthcare food purchase and sales division increased as compared with the corresponding period of last year.

FINANCIAL REVIEW

The Group's revenue during the Reporting Period was approximately RMB555,531,000, representing an increase of 26.58% from approximately RMB438,869,000 for the corresponding period of last year. In relation to the Group's revenue, approximately RMB407,492,000, which amounted to approximately 73.35% of the Group's total revenue, was derived from the manufacturing and selling of medicines segment, while approximately RMB148,039,000, which amounted to approximately 26.65% 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 Group's manufacturing and selling of medicines segment increased by approximately 31.37% 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 15.04% as compared with the corresponding period of last year. Therefore, the overall revenue of the Group increased.

During the Reporting Period, the Group's gross profit margin was approximately 44%, representing an increase of approximately 1% from approximately 43% for the corresponding period of last year. The increase in gross profit margin was mainly attributable to reasons such as the impact of the COVID-19 during the current period and the increase in sales of products with high gross profit margin.

The Group's gross profit during the Reporting Period was approximately RMB245,316,000, representing an increase of approximately 30.59% from approximately RMB187,858,000 for the corresponding period of last year. The increase was mainly attributable to the increase in the Group's overall gross profit margin and the revenue.

During the Reporting Period, the Group's selling and distribution expenses were approximately RMB147,759,000, representing an increase of approximately 36.55% from approximately RMB108,208,000 for the corresponding period of last year. The increase in selling and distribution expenses was mainly because the Group's overall revenue increased, and thus the selling and distribution expenses increased as a result.

The Group's administrative expenses for the Reporting Period were approximately RMB41,207,000, basically the same as compared with approximately RMB41,600,000 for the corresponding period of last year.

During the Reporting Period, the Group's other operating expenses amounted to approximately RMB24,053,000, representing an increase of approximately 15.97% from approximately RMB20,740,000 for the corresponding period of last year. The increase was mainly because the larger increase in impairment of inventories and increase in research and development expenses.

The Group's finance costs for the Reporting Period amounted to approximately RMB3,247,000, basically the same as compared with approximately RMB3,162,000 for the corresponding period of last year.

For the reasons above, the Group's profit after tax increased from approximately RMB17,835,000 for the corresponding period of last year to approximately RMB31,090,000 for the Reporting Period, representing an increase of approximately 74.32%. Profit attributable to the owners of the Company increased from approximately RMB20,344,000 for the corresponding period of last year to approximately RMB29,881,000 for the Reporting Period, representing an increase of approximately 46.88%.

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 2023, the Group had short-term bank borrowings of RMB81,090,000.

PLEDGE OF ASSETS

As at 30 June 2023, the available banking facilities of RMB57,064,000 of the Group were secured by pledge of its buildings and the pledged buildings were stated at an aggregate value of approximately RMB24,271,000.

FOREIGN CURRENCY RISK

During the Reporting Period, the Group's operating revenue, major selling costs and capital expenditure were denominated in RMB. As at 30 June 2023, the Group's cash and cash equivalents were mainly denominated in RMB. As such, the foreign currency risk facing the Group is limited. Currently, the Group has not adopted any financial instrument for hedging purposes.

GEARING RATIO

As at 30 June 2023, the gearing ratio of the Group, calculated by dividing the total borrowings by total equity and multiplied by 100%, was approximately 37.97% (31 December 2022: approximately 44.06%).

SIGNIFICANT INVESTMENT HELD

Save as disclosed in this announcement, there was no other significant investment held by the Company during the Reporting Period.

CAPITAL STRUCTURE

During the Reporting Period, there has been no change in the capital structure of the Company. The capital of the Company comprises its shares and other reserves.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the Reporting Period (2022: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had not made any material acquisitions and disposals of subsidiaries, associates, and joint ventures during the Reporting Period.

CONTINGENT LIABILITY

As at 30 June 2023, the Group had no significant contingent liabilities.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2023, the Group did not have concrete plans for material investments and capital assets.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group employed a total of 1,453 employees.

During the Reporting Period, the staff costs including directors' remuneration which amounted to approximately RMB73,137,000. Employees are remunerated according to their performance and work experience. The Group raised the salaries and improved fringe benefits for its employees to maintain competitiveness and broaden appeal of the Group. The employees' incentives were reviewed and determined annually pursuant to the remuneration, bonus policies and/or share options of the Group based on the performance of the employees. The Group also provided various other benefits to its employees.

The Group monitored closely the remuneration and fringe benefits of the employees and rewarded employees in accordance with the Group's business performance. In addition, training and development opportunities for the employees were also provided by the Group.

CAPITAL COMMITMENTS

As at 30 June 2023, the Group had contracted commitments for future capital expenditure of approximately RMB791,000.

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 2023, 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 <i>(Note (a))</i>	Beneficial owner	Personal	Neptunus Bio-engineering	1,331,093	0.05%
Ms. Yu Lin <i>(Note (b))</i>	Beneficial owner	Personal	Neptunus Bio-engineering	900,000	0.03%
Mr. Zhang Xiao Guang <i>(Note (c))</i>	Beneficial owner	Personal	Neptunus Bio-engineering	430,000	0.02%
Ms. Cao Yang <i>(Note (d))</i>	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 9th 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) 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.
- (c) Mr. Zhang Xiao Guang, executive Director, was beneficially interested in approximately 0.02% of the entire issued share capital of Neptunus Bio-engineering, the Company's controlling shareholder, which in turn held directly and indirectly the beneficial interest in approximately 73.51% of the entire issued share capital of the Company, of which 70.38% was directly held and 3.13% was indirectly held through Neptunus Oriental.
- (d) Ms. Cao Yang, employee representative supervisor and human resources director 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 2023, 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 2023, the Company and its subsidiaries have neither adopted any share option scheme nor 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 2023, 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:

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 (<i>Note (a)</i>)	Beneficial owner	1,181,000,000	94.33%	70.38%
	Interest in controlled corporation	52,464,500	4.19%	3.13%
Shenzhen Neptunus Group Company Limited ("Neptunus Group") (<i>Note (b)</i>)	Interest in controlled corporation	1,233,464,500	98.52%	73.51%
Shenzhen Neptunus Holding Group Company Limited ("Neptunus Holding") (previously known as "Shenzhen Yinhetong Investment Company Limited") (<i>Note (c)</i>)	Interest in controlled corporation	1,233,464,500	98.52%	73.51%
Mr. Zhang Si Min (<i>Note (d)</i>)	Interest in controlled corporation	1,233,464,500	98.52%	73.51%

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 44.22% 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 44.22% 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 44.22% 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 2023.

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 (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 Director's 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

The roles of the Chairman and General Manager are separate and should not be performed by the same individual as required under paragraph C.2.1 of Corporate Governance Code. As the leader of the Board, the Chairman is responsible for the approval and supervision of the overall strategies and policies of the Company, approval of annual budgets and business plans, evaluation of the Company's performance and oversight of the management. Mr. Zhang Feng is the current Chairman of the Board. The General Manager (same role as the chief executive pursuant to the Corporate Governance Code) responsible for the day-to-day operations of the Company.

Subsequent to the resignation of Mr. Zhou Hang as an executive Director and the General Manager on 8 February 2021, the Company is identifying a suitable candidate to fulfill the vacancy of the General Manager. The articles of the association of the Company has set out the role and powers of the Chairman and General Manager.

Save as disclosed, as the Directors are aware, during the Reporting Period, the Company has complied with the requirements under the "Corporate Governance Code" 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.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change in information of the Directors for the six months ended 30 June 2023 is set out below:

Mr. Zhang Xiao Guang was appointed as an executive Director with effect from 25 June 2023.

Mr. Shen Da Kai ceased to act as a non-executive Director of the Company since 24 June 2023.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules for the six months ended 30 June 2023.

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 2023

As at the date of this announcement, the executive Directors are Mr. Zhang Feng, Mr. Huang Jian Bo and Mr. Zhang Xiao Guang; the non-executive Directors are Mr. Zhang Yi Fei, Ms. Yu Lin and Mr. Jin Rui; 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