



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 2024**

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

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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 2024 (the "Reporting Period"), together with the unaudited comparative figures for the corresponding period of 2023.

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

For the six months ended 30 June 2024

| | | For the six months ended 30 June | |
|--|-------|-------------------------------------|------------------------|
| | | 2024 | 2023 |
| | Notes | RMB'000 (Unaudited) | RMB'000 (Unaudited) |
| Revenue | 4 | 544,504 | 555,531 |
| Cost of sales | | (349,538) | (310,215) |
| Gross profit | | 194,966 | 245,316 |
| Other revenue and other net income | 4 | 6,703 | 5,986 |
| Selling and distribution expenses | | (82,983) | (147,759) |
| Administrative expenses | | (42,379) | (41,207) |
| Other operating expenses | | (22,173) | (22,912) |
| Net (impairment)/reversal of trade and other receivables | | (3,373) | 297 |
| Profit from operations | | 50,761 | 39,721 |
| Finance costs | 6(a) | (2,469) | (3,247) |
| Profit before taxation | 6 | 48,292 | 36,474 |
| Income tax expenses | 7 | (7,038) | (5,384) |
| Profit and total comprehensive income for the period | | 41,254 | 31,090 |
| Profit and total comprehensive income for the period attributable to: | | | |
| Owners of the Company | | 37,907 | 29,881 |
| Non-controlling interests | | 3,347 | 1,209 |
| | | 41,254 | 31,090 |
| Earnings per share | | | |
| Basic and diluted | 9 | RMB2.26 cents | RMB1.78 cents |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2024

| | Notes | At 30 June 2024 RMB'000 (Unaudited) | At 31 December 2023 RMB'000 (Audited) |
|---|-------|--|--|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | 10 | 200,749 | 203,570 |
| Right-of-use assets | 10 | 83,214 | 81,003 |
| Intangible assets | | 120,695 | 122,149 |
| Goodwill | | 63,422 | 63,422 |
| Deposits for acquisition of property, plant and equipment | | 2,488 | 1,525 |
| Deposit for acquisition of land use right | | 9,817 | 9,817 |
| Deferred tax assets | | 3,959 | 3,576 |
| Time deposits | | 10,000 | 10,000 |
| | | <u>494,344</u> | <u>495,062</u> |
| Current assets | | | |
| Inventories | | 201,470 | 205,424 |
| Trade and other receivables | 11 | 337,243 | 332,954 |
| Short-term bank deposits | | 80,000 | 10,000 |
| Bank balances and cash | | 311,947 | 372,206 |
| | | <u>930,660</u> | <u>920,584</u> |
| Current liabilities | | | |
| Trade and other payables | 12 | 223,211 | 260,527 |
| Contract liabilities | | 17,791 | 16,034 |
| Interest-bearing borrowings | 13 | 83,780 | 85,417 |
| Lease liabilities | 14 | 2,493 | 499 |
| Current taxation | | 3,507 | 3,703 |
| | | <u>330,782</u> | <u>366,180</u> |
| Net current assets | | <u>599,878</u> | <u>554,404</u> |
| Total assets less current liabilities | | <u>1,094,222</u> | <u>1,049,466</u> |

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

As at 30 June 2024

| | Notes | At 30 June 2024 RMB'000 (Unaudited) | At 31 December 2023 RMB'000 (Audited) |
|---|-------|--|--|
| Non-current liabilities | | | |
| Interest-bearing borrowings | 13 | 5,618 | 2,427 |
| Deferred revenue | | 589 | 589 |
| Deferred tax liabilities | | 27,968 | 28,925 |
| Lease liabilities | 14 | 2,611 | 1,343 |
| | | <u>36,786</u> | <u>33,284</u> |
| Net assets | | <u>1,057,436</u> | <u>1,016,182</u> |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 15 | 167,800 | 167,800 |
| Reserves | | 778,276 | 740,369 |
| | | <u>946,076</u> | <u>908,169</u> |
| Total | | <u>946,076</u> | <u>908,169</u> |
| Non-controlling interests | | <u>111,360</u> | <u>108,013</u> |
| | | <u>1,057,436</u> | <u>1,016,182</u> |
| Total equity | | <u>1,057,436</u> | <u>1,016,182</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2024

| | Attributable to owners of the Company | | | | | Sub-total RMB'000 | Non- controlling interests RMB'000 | Total RMB'000 |
|---|---------------------------------------|-----------------------------|-------------------------------|---|---------------------------------|----------------------|---|------------------|
| | Share capital RMB'000 | Share premium RMB'000 | Capital reserve RMB'000 | Statutory reserve fund RMB'000 | Retained earnings RMB'000 | | | |
| 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> |
| At 1 January 2024 (audited) | 167,800 | 554,844 | (188,494) | 52,803 | 321,216 | 908,169 | 108,013 | 1,016,182 |
| Profit and total comprehensive income for the period | – | – | – | – | 37,907 | 37,907 | 3,347 | 41,254 |
| At 30 June 2024 (unaudited) | <u>167,800</u> | <u>554,844</u> | <u>(188,494)</u> | <u>52,803</u> | <u>359,123</u> | <u>946,076</u> | <u>111,360</u> | <u>1,057,436</u> |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2024

| | For the six months ended 30 June | |
|--|----------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Operating cash flows before changes in working capital | 68,845 | 58,633 |
| Changes in working capital | | |
| Decrease/(Increase) in inventories | 4,358 | (25,769) |
| Increase in trade and other receivables | (7,853) | (31,363) |
| Decrease in trade and other payables and contract liabilities | (35,559) | (39,589) |
| Cash generated from/(used in) operations | 29,791 | (38,088) |
| Income tax paid | (8,574) | (14,232) |
| Net cash generated from /(used in) operating activities | 21,217 | (52,320) |
| Investing activities | | |
| Deposits paid for acquisition of property, plant and equipment | (3,266) | (2,950) |
| Additions to intangible assets | (556) | (131) |
| Purchase of property, plant and equipment | (9,582) | (6,904) |
| Proceeds from disposal of property, plant and equipment | 2,677 | 101 |
| Increase in short-term bank deposits | (70,000) | (20,007) |
| Interest received | 1,708 | 3,560 |
| Decrease in long-term time deposit | – | 30,000 |
| Net cash (used in)/generated from investing activities | (79,019) | 3,669 |

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

For the six months ended 30 June 2024

| | For the six months ended 30 June | |
|---|----------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Financing activities | | |
| Repayment of interest-bearing bank borrowings | (17,896) | (9,212) |
| Proceeds from interest-bearing bank borrowings | 19,450 | 9,630 |
| Interest paid | (2,341) | (3,150) |
| Payment of lease liabilities | (1,670) | (1,273) |
| Net cash used in financing activities | (2,457) | (4,005) |
| Net decrease in cash and cash equivalents | (60,259) | (52,656) |
| Cash and cash equivalents at the beginning of the period | 372,206 | 290,098 |
| Cash and cash equivalents at the end of the period | 311,947 | 237,442 |
| Analysis of cash and cash equivalents at 30 June | | |
| Bank balances and cash | 311,947 | 237,442 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 Guangdong Province the PRC and its principal place of business is the PRC. The Company’s shares are listed on GEM of The Stock Exchange of Hong Kong Limited.

The Group is controlled by Shenzhen Neptunus Bio-engineering Company Limited, a limited liability company incorporated and domiciled in the PRC and its shares are listed on the Shenzhen Stock Exchange. The ultimate parent company of the Group is Shenzhen Neptunus Holding Group Limited, a company incorporated in the PRC.

The principal activities of the Company and its subsidiaries (the “Group”) include the development, production and sales of medicines and medical devices, the research and development of modern biological technology business and the purchase and sales of medicines, healthcare food products and medical devices. 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 2024 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 is authorised for issue on 23 August 2024.

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 2023, 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 2024 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 2023.

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 2024

During the Reporting Period, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2024:

| | |
|----------------------------------|---|
| HKFRS 16 | Lease Liability in a Sale and Leaseback |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current (the "2020 Amendments") |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants (the "2022 Amendments") |
| Amendments to HKAS 7 and HKFRS 7 | Supplier Finance Arrangements |

The adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

(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.

| | |
|------------------------------------|--|
| HKFRS 18 | Presentation and Disclosure in Financial Statements ⁴ |
| HKFRS 19 | Subsidiaries without Public Accountability: Disclosures ⁴ |
| Amendments to HKFRS 9 and HKFRS 7 | Amendments to the Classification and Measurement of Financial Instruments (amendments) ³ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹ |
| Amendments to HKAS 21 and HKFRS 1 | Lack of Exchangeability (amendments) ² |
| Hong Kong Interpretation 5 | Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (amendments) ⁴ |

¹ No mandatory effective date yet determined but available for adoption

² Effective for annual periods beginning on or after 1 January 2025

³ Effective for annual periods beginning on or after 1 January 2026

⁴ Effective for annual periods beginning on or after 1 January 2027

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, OTHER REVENUE AND OTHER NET INCOME

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

| | For the six months ended 30 June | |
|--|-------------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Revenue | | |
| Manufacturing and selling of medicines and medical devices | 295,150 | 407,492 |
| Sales and distribution of medicines, healthcare products and medical devices | 249,354 | 148,039 |
| | <u>544,504</u> | <u>555,531</u> |
| | | |
| | For the six months ended 30 June | |
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Other revenue and other net income | | |
| Interest income from bank deposits | 1,708 | 3,560 |
| Reversal of write down of inventories | 2,001 | – |
| Net foreign exchange gains | – | 47 |
| Gain on disposal of property, plant and equipment | – | 101 |
| Government subsidies | | |
| –released from deferred revenue | – | 199 |
| –directly recognised in profit or loss | 2,612 | 1,283 |
| Others | 382 | 796 |
| | <u>6,703</u> | <u>5,986</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 medical devices; and
- (ii) Sales and distribution of medicines, healthcare products and medical devices.

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

(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 is priced with reference to prices charged to external parties for similar orders.

5. SEGMENT REPORTING (CONTINUED)

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

| | For the six months ended 30 June | |
|---|----------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Revenue | | |
| Reportable segment revenue | 582,513 | 602,183 |
| Elimination of inter-segment revenue | (38,009) | (46,652) |
| Consolidated revenue | <u>544,504</u> | <u>555,531</u> |
| Profit before taxation | | |
| Reportable segment profit | 50,002 | 37,555 |
| Elimination of inter-segment profit | (758) | (260) |
| Reportable segment profit derived from the Group's external customers | 49,244 | 37,295 |
| Unallocated corporate expenses | (952) | (821) |
| Consolidated profit before taxation | <u>48,292</u> | <u>36,474</u> |

5. SEGMENT REPORTING (CONTINUED)

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

| | At 30 June 2024 RMB'000 (Unaudited) | At 31 December 2023 RMB'000 (Audited) |
|--|--|--|
| Assets | | |
| Reportable segment assets | 1,771,674 | 1,763,576 |
| Elimination of inter-segment receivables | <u>(350,629)</u> | <u>(351,506)</u> |
| | 1,421,045 | 1,412,070 |
| Deferred tax assets | <u>3,959</u> | <u>3,576</u> |
| Consolidated total assets | <u><u>1,425,004</u></u> | <u><u>1,415,646</u></u> |
| Liabilities | | |
| Reportable segment liabilities | 688,073 | 718,342 |
| Elimination of inter-segment payables | <u>(351,980)</u> | <u>(351,506)</u> |
| | 336,093 | 366,836 |
| Current taxation | 3,507 | 3,703 |
| Deferred tax liabilities | <u>27,968</u> | <u>28,925</u> |
| Consolidated total liabilities | <u><u>367,568</u></u> | <u><u>399,464</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 2024 RMB'000 (Unaudited) | At 30 June 2023 RMB'000 (Unaudited) |
| Sales of medicines and healthcare products | 423,917 | 446,340 |
| Sales of medical devices | 120,587 | 109,191 |
| | <u>544,504</u> | <u>555,531</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 2024 | | | | |
| Manufacturing and selling of medicines and medical devices | 29,541 | 260,209 | 5,400 | 295,150 |
| Sales and distribution of medicines, healthcare products and medical devices | 9,751 | 239,603 | – | 249,354 |
| | <u>39,292</u> | <u>499,812</u> | <u>5,400</u> | <u>544,504</u> |
| | 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 and medical devices | 38,388 | 365,636 | 3,468 | 407,492 |
| Sales and distribution of medicines, healthcare products and medical devices | – | 148,039 | – | 148,039 |
| | <u>38,388</u> | <u>513,675</u> | <u>3,468</u> | <u>555,531</u> |

6. PROFIT BEFORE TAXATION

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

| | For the six months ended 30 June | |
|---|-------------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| (a) Finance costs | | |
| Interest on banks loans, amount due to a non-controlling shareholder and other borrowings | 2,341 | 3,150 |
| Financial charges on lease liabilities | 128 | 97 |
| | <u>2,469</u> | <u>3,247</u> |
| (b) Staff costs (including directors' emoluments) | | |
| Salaries, wages and other benefits | 70,405 | 62,230 |
| Contributions to defined contribution retirement plans | 10,240 | 10,907 |
| | <u>80,645</u> | <u>73,137</u> |
| (c) Other items | | |
| Depreciation of right-of-use assets | 2,593 | 2,718 |
| Amortisation of intangible assets* | 2,010 | 2,390 |
| Depreciation of property, plant and equipment | 11,974 | 11,639 |
| Cost of inventories | 338,296 | 297,569 |
| Research and development costs* | 18,057 | 14,518 |
| Net impairment/(reversal) of: | | |
| – trade receivables | 3,197 | (932) |
| – other receivables | 176 | 635 |
| Bad debts written off on trade receivables | 358 | – |
| Loss on disposal of property, plant and equipment, net* | 55 | 208 |
| Write down of inventories* | 1,597 | 6,013 |
| Reversal of write-down of inventories | (2,001) | – |
| Auditor's remuneration | | |
| – audit service | – | – |
| – non-audit services remuneration | 442 | 312 |
| Lease charges in respect of short-term leases | 863 | 1,554 |
| | <u>863</u> | <u>1,554</u> |

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

7. INCOME TAX EXPENSE

| | For the six months ended 30 June | |
|---|-------------------------------------|--------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Current tax | | |
| PRC Enterprise Income Tax ("EIT") Current | 8,378 | 5,896 |
| Deferred tax | | |
| Current year | (1,340) | (512) |
| | <u>7,038</u> | <u>5,384</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 2023: Nil).

During the Reporting Period, three (30 June 2023: three) subsidiaries of the Group established in the PRC are qualified as "High and New Technology Enterprise". In accordance with the applicable Enterprise Income Tax Law of the PRC, these subsidiaries are subject to the PRC EIT at a preferential rate of 15%.

According to a policy promulgated by the State Tax Bureau of the PRC, enterprises engage in research and development activities are entitled to claim 200% 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 2023: 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 2023: 25%).

8. DIVIDENDS

The directors do not propose payment of any dividend for the Reporting Period (2023: Nil).

9. EARNINGS PER SHARE

Basic earnings per share

For the six months ended 30 June 2024, the calculation of basic earnings per share has been based on the profit attributable to owners of the Company of approximately RMB37,907,000 (six months ended 30 June 2023: profit of approximately RMB29,881,000) and the weighted average number of 1,678,000,000 ordinary shares in issue for the six months ended 30 June 2024 (six months ended 30 June 2023: 1,678,000,000 ordinary shares).

Diluted earnings per share

Diluted earnings per share for the six-month periods ended 30 June 2024 and 2023 equals to basic earnings per share as there were no potential dilutive ordinary shares outstanding during these periods.

10. PROPERTY, PLANT AND EQUIPMENT and right-of-use assets

During the Reporting Period, property, plant and equipment purchased and carrying amount of the disposed/write off by the Group were approximately RMB11,885,000 (30 June 2023: RMB6,904,000) and RMB2,732,000 (30 June 2023: RMB309,000), 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 RMB4,804,000 (six months ended 30 June 2023: RMBNil).

11. TRADE AND OTHER RECEIVABLES

| | Notes | At 30 June 2024 RMB'000 (Unaudited) | At 31 December 2023 RMB'000 (Audited) |
|--|-------|--|--|
| Trade receivables | | 201,740 | 197,023 |
| Less: expected credit loss ("ECL") allowance | | (22,451) | (22,771) |
| | | <u>179,289</u> | <u>174,252</u> |
| | | | |
| Bills receivables | (i) | 56,146 | 52,965 |
| | | <u>235,435</u> | <u>227,217</u> |
| | | | |
| Amounts due from fellow subsidiaries | | 47,266 | 41,899 |
| Amounts due from related companies | | 6,924 | 2,481 |
| Amount due from an intermediate parent company | | 251 | 251 |
| Amount due from immediate parent company | | – | 5 |
| Other receivables | | 12,312 | 20,398 |
| Value-added tax recoverable | | 1,072 | 268 |
| Prepayment and deposits | (ii) | 36,249 | 42,525 |
| Less: ECL allowance | | (2,266) | (2,090) |
| | | <u>101,808</u> | <u>105,737</u> |
| | | <u>337,243</u> | <u>332,954</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) Prepayment and deposits mainly represent deposits prepaid in advance to suppliers of approximately RMB18,168,000 (2023: approximately RMB29,139,000), which aged within one year.

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 2024 RMB'000 (Unaudited) | At 31 December 2023 RMB'000 (Audited) |
|-----------------|--|--|
| Within 3 months | 127,194 | 110,314 |
| 4 to 6 months | 47,571 | 37,152 |
| 7 to 12 months | 1,063 | 15,700 |
| Over 1 year | 3,461 | 11,086 |
| | <u>179,289</u> | <u>174,252</u> |

Bills receivables

| | At 30 June 2024 RMB'000 (Unaudited) | At 31 December 2023 RMB'000 (Audited) |
|-----------------|--|--|
| Within 3 months | 26,671 | 15,440 |
| 4 to 6 months | 29,475 | 37,525 |
| | <u>56,146</u> | <u>52,965</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 2024 RMB'000 (Unaudited) | At 31 December 2023 RMB'000 (Audited) |
|---|--|--|
| Balance at 1 January | 22,771 | 24,120 |
| ECL recognised during the period/year | 3,197 | 2,863 |
| ECL reversed during the period/year | – | (59) |
| Amount written off during the period/year | (3,517) | (4,153) |
| | <u>22,451</u> | <u>22,771</u> |
| At 30 June/31 December | <u>22,451</u> | <u>22,771</u> |

(c) Impairment of other receivables

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

| | At 30 June 2024 RMB'000 (Unaudited) | At 31 December 2023 RMB'000 (Audited) |
|---|--|--|
| Balance at 1 January | 2,090 | 1,825 |
| ECL recognised during the period/year | 214 | 323 |
| ECL reversed during the period/year | (38) | – |
| Amount written off during the period/year | – | (58) |
| | <u>2,266</u> | <u>2,090</u> |
| At 30 June/31 December | <u>2,266</u> | <u>2,090</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 2024 RMB'000 (Unaudited) | At 31 December 2023 RMB'000 (Audited) |
|--|--|--|
| Within 3 months | 102,511 | 117,380 |
| 4 to 6 months | 9,544 | 10,373 |
| 7 to 12 months | 9,954 | 8,009 |
| Over 1 year | 12,158 | 13,461 |
| Trade payables | 134,167 | 149,223 |
| Other payables and accruals | 71,440 | 102,118 |
| Amounts due to fellow subsidiaries | 15,257 | 2,468 |
| Amount due to intermediate parent company | 360 | 442 |
| Amounts due to related companies | 1,187 | 5,476 |
| Amount due to an immediate holding company | 800 | 800 |
| | <u>223,211</u> | <u>260,527</u> |

13. INTEREST-BEARING BORROWINGS

| | At 30 June 2024 RMB'000 (Unaudited) | At 31 December 2023 RMB'000 (Audited) |
|--------------------------------|--|--|
| Non-current liabilities | | |
| Other borrowings | (a) <u>5,618</u> | 2,427 |
| Current liabilities | | |
| Short-term bank loans | (b) <u>80,093</u> | 82,105 |
| Other borrowings | (a) <u>3,687</u> | 3,312 |
| | <u>83,780</u> | 85,417 |
| | <u>89,398</u> | <u>87,844</u> |

13. INTEREST-BEARING BORROWINGS (CONTINUED)

Notes:

- (a) As at 30 June 2024, other borrowings of RMB9,305,000 (2023: RMB5,739,000) from a third party were secured by a pledge of the Group's furniture, fixtures and equipment. The effective interest rate was 6.5% per annum and repayable as follows:

| | At 30 June 2024 RMB'000 (Unaudited) | At 31 December 2023 RMB'000 (Audited) |
|----------------------------------|--|--|
| Carrying amount repayable | | |
| Within one year | 3,687 | 3,312 |
| In the second year | 3,703 | 2,076 |
| In the third to fifth year | 1,915 | 351 |
| | <u>9,305</u> | <u>5,739</u> |

- (b) As at 30 June 2024, the interest-bearing bank borrowings were denominated in RMB, repayable within one year (2023: one year), further details were as follows:

- Bank borrowings of RMB57,063,000 (2023: RMB57,070,000) were secured by a pledge of the Group's buildings with carrying amount RMB23,387,000 (2023: RMB24,099,000) and guarantee from the non-controlling shareholder of a subsidiary of the Group and subsidiaries of the Group. The effective interest rate was 3.55% to 4.35% (2023: 3.55% to 4.35%).
- Bank borrowings of RMB17,023,000 (2023: RMB19,028,000) were secured by a guarantee from a non-controlling shareholder of a subsidiary and a subsidiary of the Group. The effective interest rate was 4.50% to 5.50% (2023: 4.10% to 5.50%).
- Bank borrowings of RMB6,007,000 (2023: RMB6,007,000) were unsecured. The effective interest rate was 4.36% (2023: 4.10%).

14. LEASE LIABILITIES

| | At 30 June 2024 RMB'000 (Unaudited) | At 31 December 2023 RMB'000 (Audited) |
|--|--|--|
| Total minimum lease payments: | | |
| Due within one year | 2,653 | 571 |
| Due in the second to fifth year | 2,684 | 1,412 |
| | 5,337 | 1,983 |
| Future finance charges on leases liabilities | (233) | (141) |
| Present value of leases liabilities | <u>5,104</u> | <u>1,842</u> |
| Present value of minimum lease payments: | | |
| Due within one year | 2,493 | 499 |
| Due in the second to fifth year | 2,611 | 1,343 |
| | 5,104 | 1,842 |
| Less: Portion due within one year included under current liabilities | <u>(2,493)</u> | <u>(499)</u> |
| Portion due after one year included under non-current liabilities | <u>2,611</u> | <u>1,343</u> |

During the six months ended 30 June 2024, the total cash outflows for the leases are approximately RMB2,553,000 (six months ended 30 June 2023: RMB2,827,000).

15. SHARE CAPITAL

| | Number of Shares '000 | RMB'000 |
|------------------------------------|-----------------------------|----------------|
| Registered, issued and fully paid: | | |
| At 1 January and 30 June 2024 | | |
| – Domestic shares of RMB0.10 each | 1,252,000 | 125,200 |
| – H shares of RMB0.10 each | 426,000 | 42,600 |
| | <u>1,678,000</u> | <u>167,800</u> |

16. COMMITMENTS

(a) Capital commitments

| | At 30 June 2024 RMB'000 (Unaudited) | At 31 December 2023 RMB'000 (Audited) |
|--------------------------------------|--|--|
| Property, plant and equipment | | |
| Contracted but not provided for: | | |
| Property, plant and equipment | <u>3,638</u> | <u>734</u> |

(b) Lease commitments

At 30 June 2024, the lease commitments for short-term leases are as follows:

| | At 30 June 2024 RMB'000 (Unaudited) | At 31 December 2023 RMB'000 (Audited) |
|---------------|--|--|
| Within 1 year | <u>1,494</u> | <u>1,260</u> |

17. MATERIAL RELATED PARTY TRANSACTIONS

(a) Related party transactions:

| Name of related parties | Relationship | Nature of transaction | Notes | For the six months ended 30 June | |
|--|-----------------------------|---------------------------------|-----------|----------------------------------|--------------------------------|
| | | | | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Neptunus Group | Intermediate parent company | Rental of office | (i)(iii) | 716 | 716 |
| Neptunus Bio-engineering | Immediate parent company | Sales of goods | (ii)(iii) | 10 | 8 |
| Shenzhen Shenye Pharmaceutical Development Company Limited | Fellow subsidiary | Sales of goods | (ii)(iii) | 310 | 1,573 |
| Henan Neptunus Pharmaceutical Group Limited | Fellow subsidiary | Sales of goods | (ii)(iii) | 589 | 642 |
| Shandong Neptunus Yinhe Pharmaceutical Company Limited | Fellow subsidiary | Sales of goods | (ii)(iii) | 5,162 | 6,274 |
| Shenzhen Neptunus Pharmaceutical Company Limited | Fellow subsidiary | Purchase of finished goods | (ii)(iii) | 28,847 | 30,336 |
| | | Rental expense | (ii)(iii) | 148 | 148 |
| | | Sales of goods | (ii)(iii) | 5,895 | – |
| Shenzhen Neptunus Pharmaceutical Technology Research Company Limited (“Neptunus Research”) | Fellow subsidiary | Research and development income | (iii)(v) | – | 388 |
| | | Purchase of finished goods | (ii)(iii) | – | 123 |
| Anyang Hengfeng Pharmaceutical Company, Limited | Fellow subsidiary | Sales of goods | (ii)(iii) | 504 | 41 |
| Guangxi Guilin Neptunus Pharmaceutical Company Limited | Fellow subsidiary | Sales of goods | (ii)(iii) | 881 | 1,201 |
| Anhui Neptunus Guoan Pharmaceutical Company Limited | Fellow subsidiary | Sales of goods | (ii)(iii) | – | 301 |
| Sulu Neptunus Pharmaceutical Group Company Limited | Fellow subsidiary | Sales of goods | (ii)(iii) | 118 | 102 |

17. 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 | |
|---|-------------------|-----------------------|-----------|----------------------------------|--------------------------------|
| | | | | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Jining Neptunus Huasen Pharmaceutical Company Limited | Fellow subsidiary | Sales of goods | (ii)(iii) | 138 | 96 |
| Zhoukou Renhe Pharmaceutical Company Limited | Fellow subsidiary | Sales of goods | (ii)(iii) | 2,138 | 571 |
| Henan Neptunus Yinhe Pharmaceutical Company Limited | Fellow subsidiary | Sales of goods | (ii)(iii) | 720 | 442 |
| Neptunus (Zhanjiang) Medical Company Limited | Fellow subsidiary | Sales of goods | (ii)(iii) | 31 | 383 |
| Shaoyang Neptunus Pharmaceutical Company Limited | Fellow subsidiary | Sales of goods | (ii)(iii) | 212 | 183 |
| Anhui Neptunus Pharmaceutical Group Company Limited | Fellow subsidiary | Sales of goods | (ii)(iii) | 184 | 427 |
| Nanning Neptunus Jiankang Bio-technology Company Limited | Related company | Purchases of goods | (ii)(iv) | 17,282 | 9,906 |
| Jilin Neptunus Jiankang Bio-technology Company Limited | Related company | Purchases of goods | (ii)(iv) | 10,473 | 5,233 |
| Jiangsu Nepstar Pharmaceutical Company Limited | Related company | Sales of goods | (ii)(iv) | 1,762 | 3,111 |
| Shenzhen Neptunus Yidianshao Pharmaceutical Company Limited | Related company | Sales of goods | (ii)(iv) | 3,685 | 4,259 |
| Xinjiang Neptunus Pharmaceutical Company Limited | Fellow subsidiary | Sales of goods | (ii)(iii) | – | 331 |
| Kashi Neptunus Yinhe Pharmaceutical Company Limited | Fellow subsidiary | Sales of goods | (ii)(iii) | 224 | 457 |

17. 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 | |
|---|-------------------|-----------------------|-----------|----------------------------------|--------------------------------|
| | | | | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Guangdong Neptunus Medical Group Company Limited | Fellow subsidiary | Sales of goods | (ii)(iii) | 4,427 | 1,114 |
| Henan Guanbao Yuntong Pharmaceutical Company Limited | Fellow subsidiary | Sales of goods | (ii)(iii) | 360 | 640 |
| Fuzhou Nepstar Health Drugstore Chain Company Limited | Related company | Sales of goods | (ii)(iv) | – | 108 |
| | | Purchases of goods | (ii)(iv) | – | 192 |
| Heilongjiang Province Neptunus Pharmaceutical Company Limited | Fellow subsidiary | Sales of goods | (ii)(iii) | 198 | 174 |
| Shenzhen Neptunus Jiankang Shiye Company Limited | Fellow subsidiary | Sales of goods | (ii)(iii) | 404 | 780 |
| Binzhou Neptunus Huanghe Pharmaceutical Company Limited | Fellow subsidiary | Sales of goods | (ii)(iii) | 25 | 105 |
| Henan Dongsen Pharmaceutical Company Limited | Fellow subsidiary | Sales of goods | (ii)(iii) | 218 | 221 |
| Hubei Neptunus Pharmaceutical Group Company Limited | Fellow subsidiary | Sales of goods | (ii)(iii) | 58 | 104 |
| Shandong Neptunus Pharmaceutical Group Company Limited | Fellow subsidiary | Sales of goods | (ii)(iii) | 209 | 221 |
| Qingdao Huaren Medical Delivery Company Limited | Fellow subsidiary | Sales of goods | (ii)(iii) | 426 | 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) | 2,489 | 4,233 |

17. 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 | |
|---|-------------------|-----------------------|-----------|----------------------------------|--------------------------------|
| | | | | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Shenzhen Neptunus Jinzun Technology Development Company Limited | Fellow subsidiary | Purchase of goods | (ii)(iii) | 10,055 | – |
| Neptunus (Shaoguan) Pharmaceutical Company Limited | Fellow subsidiary | Sales of goods | (ii)(iii) | 106 | – |
| Neptunus Medical Devices (Shanghai) Company Limited | Fellow subsidiary | Sales of goods | (ii)(iii) | 2,837 | – |
| Shenzhen Neptunus Medical Health Company Limited | Fellow subsidiary | Sales of goods | (ii)(iii) | 633 | – |
| Liaoning Province Nepstar Medical Trading Company Limited | Related company | Sales of goods | (ii)(iv) | 720 | – |

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.

17. 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 |
| | 2024 | 2023 | 2024 | 2023 |
| RMB'000 | RMB'000 | RMB'000 | RMB'000 | |
| (Unaudited) | (Audited) | (Unaudited) | (Audited) | |
| Amount due from/to immediate parent company | – | 5 | 800 | 800 |
| Amount due from/to an intermediate parent company | 251 | 251 | 360 | 442 |
| Amounts due from/to fellow subsidiaries: | | | | |
| Shenzhen Neptunus Pharmaceutical Co., Ltd | 5,724 | 1,360 | 3,148 | 982 |
| Shandong Neptunus Yinhe Pharmaceutical Company Limited | 11,170 | 13,337 | – | – |
| Anhui Neptunus Pharmaceutical Group Company Limited | 52 | 34 | – | 9 |
| Henan Neptunus Pharmaceutical Group Company Limited | 7,926 | 7,931 | – | – |
| Sulu Neptunus Pharmaceutical Group Company Limited | – | – | – | 14 |
| Shenzhen Quanyaowang Pharmaceutical Company Limited | 856 | 856 | – | – |
| Anyang Hengfeng Pharmaceutical Company Limited | 76 | 167 | – | – |
| Shenzhen Neptunus Property Management Company Limited | 67 | 17 | – | – |
| Henan Neptunus Yinhe Pharmaceutical Company Limited | 161 | – | 679 | 25 |
| Shenzhen Neptunus Jiankang Shiye Company Limited | – | 37 | – | – |
| Guangxi Guilin Neptunus Pharmaceutical Company Limited | 320 | 581 | – | – |
| Shaoyang Neptunus Pharmaceutical Company Limited | – | – | – | 48 |
| Qingdao Huaren Pharmaceutical Distribution Company Limited | 172 | 224 | – | – |
| Heilongjiang Province Neptunus Pharmaceutical Company Limited | 83 | 228 | 4 | – |
| Henan Enji Pharmaceutical Company Limited | 31 | 67 | – | – |
| Kashi Neptunus Yinhe Pharmaceutical Company Limited | – | – | – | 20 |
| Guangdong Neptunus Medical Group Company Limited | 10,479 | 8,589 | – | 3 |
| Henan Guanbao Yuntong Pharmaceutical Company Limited | – | – | 100 | 540 |
| Henan Zuojinming Pharmaceutical Company Limited | 37 | 85 | – | – |
| Zhoukou Renhe Pharmaceutical Company Limited | – | – | 129 | 449 |
| Shenzhen Shenye Pharmaceutical Development Company Limited | – | 29 | – | – |
| Henan Dongsen Pharmaceutical Company Limited | 67 | 20 | – | – |
| Xinjiang Neptunus Pharmaceutical Company Limited | 137 | 139 | – | – |
| Jilin Neptunus Jiankang Technology Development Company Limited | 9,726 | 8,173 | – | – |
| Neptunus Research | 1 | – | 366 | 366 |
| Shenzhen Neptunus Medical Health Company Limited | 175 | – | – | – |
| Hubei Neptunus Pharmaceutical Group Company Limited | 6 | – | – | – |
| Neptunus Medical Delivery Services (Fujian) Company Limited Xiamen Branch | – | 25 | – | – |
| Gansu Neptunus Pharmaceutical Company Limited | – | – | – | 12 |
| Shenzhen Neptunus Jinzun Technology Development Company Limited | 0 | 0 | 10,831 | 0 |
| | 47,266 | 41,899 | 15,257 | 2,468 |

17. 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 2024 | At 31 December 2023 | At 30 June 2024 | At 31 December 2023 |
| | | RMB'000 (Unaudited) | RMB'000 (Audited) | RMB'000 (Unaudited) | RMB'000 (Audited) |
| Amounts due from/to related companies: | | | | | |
| Shenzhen Neptunus Yidiangao Pharmaceutical Company Limited | | 1,948 | 1,708 | - | - |
| Jiangsu Nepstar Pharmaceutical Company Limited | | 402 | 601 | - | - |
| Jilin Neptunus Jiangkang Bio-technology Company Limited | | 410 | - | - | 2,372 |
| Nanning Neptunus Jiangkang Bio-technology Company Limited | | 4,000 | - | 1,141 | 3,079 |
| Liaoning Province Nepstar Pharmaceutical Trading Company Limited | | 164 | 158 | - | - |
| Shenzhen Neptunus Dayuancao BioTechnique Company Limited | | - | - | 46 | 25 |
| Fuzhou Nepstar Jiankang Drugstore Chain Company Limited | | - | 14 | - | - |
| | | <u>6,924</u> | <u>2,481</u> | <u>1,187</u> | <u>5,476</u> |
| | | <u>54,441</u> | <u>44,636</u> | <u>17,604</u> | <u>9,186</u> |

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

17. 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 2024 RMB'000 (Unaudited) | At 31 December 2023 RMB'000 (Audited) | At 30 June 2024 RMB'000 (Unaudited) | At 31 December 2023 RMB'000 (Audited) |
| Trade nature | | | | |
| Amounts due from/to fellow subsidiaries | 47,199 | 41,882 | 15,257 | 2,468 |
| Amounts due from/to related companies | 6,924 | 2,481 | 1,187 | 5,476 |
| | <u>54,123</u> | <u>44,363</u> | <u>16,444</u> | <u>7,944</u> |
| Non-trade nature | | | | |
| Amount due from/to immediate parent company | – | 5 | 800 | 800 |
| Amount due from/to an intermediate parent company | 251 | 251 | 360 | 442 |
| Amounts due from/to fellow subsidiaries | 67 | 17 | – | – |
| | <u>318</u> | <u>273</u> | <u>1,160</u> | <u>1,242</u> |
| | <u>54,441</u> | <u>44,636</u> | <u>17,604</u> | <u>9,186</u> |

17. 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 2024 RMB'000 (Unaudited) | At 31 December 2023 RMB'000 (Audited) |
|--|--|--|
| Within 3 months | 15,737 | 12,606 |
| More than 3 months but less than 12 months | 14,963 | 30,901 |
| Over 12 months | 23,423 | 856 |
| | <u>54,123</u> | <u>44,363</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 2024 RMB'000 (Unaudited) | At 31 December 2023 RMB'000 (Audited) |
|--|--|--|
| Within 3 months | 15,097 | 6,963 |
| More than 3 months but less than 12 months | 366 | – |
| Over 12 months | 981 | 981 |
| | <u>16,444</u> | <u>7,944</u> |

(c) Key management personnel remuneration

| | For the six months ended 30 June | |
|------------------------------|----------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Short-term employee benefits | 2,435 | 4,310 |
| Post-employment benefits | 121 | 246 |
| | <u>2,556</u> | <u>4,556</u> |

18. COMPARATIVE FIGURES

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

19. EVENTS AFTER THE REPORTING PERIOD

An announcement dated 29 July 2024, the Company was informed by Neptunus Bio-engineering (the controlling shareholder of the Company) that, on 28 July 2024, its controlling shareholder Neptunus Group entered into a share transfer agreement and an agreement in relation to the waiver of voting rights respectively with, among others, 廣東省絲綢紡織集團有限公司 (Guangdong Silk Textile Group Company Limited*) ("Textile Group"). Under these agreements, upon completion, which is subject to the satisfaction of a number of conditions, including but not limited to obtaining all necessary corporate, governmental or regulatory approvals, Textile Group will acquire 315,734,800 shares of Neptunus Bio-engineering from Neptunus Group (the "Share Transfer"), and Neptunus Group, Mr. Zhang Si Min, Mr. Zhang Feng and Ms. Wang Fei will relinquish all the voting rights of their respective shares in Neptunus Bio-engineering. Following the completion of the Share Transfer, Textile Group will be beneficially interested in approximately 12% of the entire issued share capital (excluding the repurchased shares to be cancelled), and the controlling shareholder of Neptunus Bio-engineering, and the actual controller of Neptunus Bio-engineering will be changed to the People's Government of Guangdong Province. On the same date, Neptunus Bio-engineering entered into a share subscription agreement with each of Textile Group and 廣東省廣新控股集團有限公司 (Guangdong Guangxin Holdings Group Co., Ltd.*) ("Guangxin Holdings"), the controlling shareholder of Textile Group. Under these agreements, upon the satisfaction of certain conditions, including but not limited to obtaining the corporate, governmental or regulatory approvals, Textile Group and Guangxin Holdings will collectively subscribe for not more than 620,000,000 shares of Neptunus Bio-engineering (the "Share Subscription"). Therefore, after the Share Transfer and Share Subscription, Textile Group and Guangxin Holdings, collectively, will hold 28.78% of the entire issued share capital (excluding the repurchased shares to be cancelled) of Neptunus Bio-engineering. For details, please refer to the announcement.

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 medical devices, and the purchase and sales of medicines, healthcare food products and medical devices 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 (the "Fuzhou Production Base") and Miyun Economic Development Zone, Beijing Municipality, the PRC (the "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 207 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 127 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 combination drugs 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" (國家基本醫療保險藥品目錄) (64 Basic Medical Insurance Category A drugs and 25 Basic Medical Insurance Category B drugs), 60 products are included in the "National Essential Drug List" (國家基本藥品目錄), and 31 OTC products (23 in Category A and 8 in Category B).

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 31 patents for inventions.

In respect of consistency evaluation, four 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) have obtained the approval of supplementary application, Benzhexol Hydrochloride Tablets (鹽酸苯海索片) and Vitamin B1 Tablets (維生素B1片) have completed the consistency evaluation and process validation, and folic acid tablets (葉酸片) have completed the consistency evaluation in the pilot test. In the aspect of research and development of new medicines, Doxofylline Injection (多索茶鹼注射液), Concentrated Sodium Potassium Magnesium Calcium Injection (鈉鉀鎂鈣注射用濃溶液), generic Sildenafil Citrate Orodispersible Tablets (枸橼酸西地那那非口崩片) and generic Sodium Bicarbonate Ringer's Injection (碳酸氫鈉林格注射液), which were commissioned by the Company's pharmaceutical subsidiary, have obtained approval. Atropine Sulfate Injection (硫酸阿托品注射液) has completed the review, and Pregabalin Oral Solution (普瑞巴林口服溶液) is under registration review. 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 (萹菜黃連素膠囊, 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 national Class III medical device product) and HTK Myocardial Protection Cardioplegic Solution (HTK心肌保護停跳液, a national Class III medical device product).

During the Reporting Period, two pharmaceutical subsidiaries of the Group located in Fujian followed the current acting strategy to unify sales policy, complemented strengths, allocated resource, cross-holding, integrated development to fully expand the market of key products. At the provincial level, the Group utilized the home advantages and resources to sort out and adjust the price of some varieties on the network, proactively develop the unoccupied market shares within the province, increase the share of products in the province's medical institutions, and has basically completed the province's commercial full coverage; while outside the province, the Group utilized the national market resources and omnichannel variety customer resources of Neptunus headquarters, and gave full play to the advantages of the linkage between the industrial system and trade system of Neptunus headquarters to continue to expand the market, and actively participate in the national alliance with volume procurement, centralized procurement of expired varieties in each region to seize the market and drive the sales of other products. Meanwhile, according to the characteristics of the products, the distribution channels are divided into three major channels, namely, omnichannel sales, controlled sales and e-commerce sales, so as to continuously open up the sales channels and adopt a complementary approach between the medical institutions and the distribution market, so as to consolidate and develop the original advantaged products in the medical institutions in terms of market share. Among the subsidiaries, Fuzhou Neptunus Fuyao Pharmaceutical Company Limited ("Neptunus Fuyao") adhered to the their quality policy, focused on the annual operational keywords of "stabilizing key areas, expanding growth, and achieving excellent results", continuously explored sales channels, strictly enforced stringent control standards, actively participated in centralized procurement projects, and continued to steadily improve its operating results; while Fuzhou Neptunus Jinxiang Chinese Pharmaceutical Company Limited ("Neptunus Jinxiang") continued to focus on the production of fine Chinese medicines, adhering to the direction of "safeguarding the integrity of inheritance, securing and innovative, and producing fine Chinese medicines", with concerted efforts and dedication, Neptunus Jinxiang ensured quality and supply, achieving performance growth beyond expectations. The continuous efforts made by these pharmaceutical subsidiaries in the areas of production, product quality, sales, inventory and pricing have not only ensured the steady development of their businesses, 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 and the tremendous challenges brought about and faced by the domestic chemical raw materials pharmaceuticals during the Reporting Period, and promptly followed the industry policies and the market changes by means of expanding production capacity, increasing products, strictly enforcing 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, shifting the sales team from regional to national, and expansion of consignment and contract processing business model", strengthening budget and compliance management, reducing costs and increasing efficiency, and further refining risk control, the operating condition improved over the corresponding period of last year. At the same time, Neptunus Zhongxin also carried out operational transformation plans such as transformation of marketing model, organizational restructuring, reviewing grading and pay structure, redeployment of employees, and deepening development of target markets, as well as optimize pricing, distribution channel and competitive strategies of products, intensify its efforts in budgets control, paybacks focus, receivables reduction, and winning tenders, and strived to turn the business around to profitability as soon as possible.

Purchase and Sales of Medicines, Healthcare Food Products and Medical Device

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). Meanwhile, the Group initiated the distribution of medical device. Such products are mainly distributed to the end medical institutions through professional sales promotion companies and to the end users through medium and large-sized chain pharmacies.

During the Reporting Period, the implementation of new healthcare reform policies adversely affected the sales of retail pharmacies, which in turn affected the business of the Group's medicines and healthcare food purchase and sales segment to a certain extent, and it is expected that such impact may be broadened in the future. In order to stabilize its business and safeguard its long-term development, the Group's medicines and healthcare food products purchase and sales segment will continue to focus on coordinating planning and timely adjusting its sales strategies, focusing on the sales of key products and vigorously developing the healthcare food products market. Through strengthening the product and branding promotion through self-media, cultivating new flagship products while increasing the sales of key products, it is to actively address adverse impacts to drive continuous growth in results.

Starting from 2022, Fuzhou Fuyao Medical Company Limited (“Fuyao Medical”), the purchasing and selling subsidiary of the Group located in Fuzhou, is committed to the rapid development of the relevant business by focusing on the expansion of the purchasing and selling business of medical devices and the optimization of the distribution service process. During the Reporting Period, Fuyao Medical has significantly improved its performance by distributing products such as microcatheters, which are peripheral vascular medical consumables. Meanwhile, Fuyao Medical plans to introduce products such as parenteral nutritional supplements to continue to broaden its business categories, and will also add new distribution agents in some provinces and cities to ensure steady growth in results.

During the Reporting Period, the results of the Group’s medicines and healthcare food purchases and sales segment increased as compared with the corresponding period of last year.

FINANCIAL REVIEW

The Group’s revenue during the Reporting Period was approximately RMB544,504,000, representing a decrease of approximately 1.99% from approximately RMB555,531,000 for the corresponding period of last year. In relation to the Group’s revenue, approximately RMB295,150,000, which amounted to approximately 54.21% of the Group’s total revenue, was derived from the manufacturing and selling of medicines and medical devices segment, while approximately RMB249,354,000, which amounted to approximately 45.79% of the Group’s total revenue, was derived from the sales and distribution of medicines, healthcare products and medical devices segment.

During the Reporting Period, the Group’s gross profit margin was approximately 36%, representing a decrease of approximately 8% from approximately 44% for the corresponding period of last year. The decrease in gross profit margin was mainly due to the change in the sales model of certain products in the Reporting Period, which lowered the ex-factory price of products and reduced the corresponding proportion of sales expenses.

The Group’s gross profit during the Reporting Period was approximately RMB194,966,000, representing a decrease of approximately 20.52% from approximately RMB245,316,000 for the corresponding period of last year. The decrease in the gross profit was mainly attributable to the decrease in the Group’s gross profit margin.

During the Reporting Period, the Group’s selling and distribution expenses were approximately RMB82,983,000, representing a decrease of approximately 43.84% from approximately RMB147,759,000 for the corresponding period of last year. The decrease in selling and distribution expenses was mainly due to the change in sales model of certain products in the Reporting Period.

The Group’s administrative expenses for the Reporting Period were approximately RMB42,379,000, representing an increase of approximately 2.84% as compared with approximately RMB41,207,000 for the corresponding period of last year. The increase in administrative expenses was mainly due to the increase in staff costs and taxes.

During the Reporting Period, the Group’s other operating expenses and impairment/reversal on trade and other receivables, net amounted to approximately RMB25,546,000, representing an increase of approximately 12.96% from approximately RMB22,615,000 for the corresponding period of last year. The increase in it was mainly due to the increase of impairment of trade receivables and increase in research and development expenses.

The Group’s finance costs for the Reporting Period amounted to approximately RMB2,469,000, representing a decrease of approximately 23.97% as compared with RMB3,247,000 for the corresponding period of last year. The decrease in finance costs was mainly due to the decrease in interest expenses incurred from the bank loans of Neptunus Zhongxin.

For the reasons above, the Group’s profit after tax increased from approximately RMB31,090,000 for the corresponding period of last year to approximately RMB41,254,000 for the Reporting Period, representing an increase of approximately 32.69%. The profit attributable to the owners of the Company increased from approximately RMB29,881,000 for the corresponding period of last year to approximately RMB37,907,000 for the Reporting Period, representing an increase of approximately 26.86%.

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 2024, the Group had short-term bank borrowings of RMB80,093,000.

PLEDGE OF ASSETS

As at 30 June 2024, the available banking facilities of RMB57,063,000 of the Group were secured by pledge of its buildings and the pledged buildings were stated at an aggregate value of approximately RMB23,387,000.

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 2024, 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 2024, the gearing ratio of the Group, calculated by dividing the total liabilities by total equity and multiplied by 100%, was approximately 34.76% (31 December 2023: approximately 39.31%).

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 (2023: 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 2024, the Group had no significant contingent liabilities.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2024, the Group did not have concrete plans for material investments and capital assets.

NO MATERIAL CHANGE

Save as disclosed in this announcement, during the six months ended 30 June 2024, there has been no material change in the Group's financial position or business since the publication of the latest annual report of the Company for the year ended 31 December 2023.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2024, the Group employed a total of 1,471 employees.

During the Reporting Period, the staff costs including directors' remuneration which amounted to approximately RMB80,645,000. 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 2024, the Group had contracted commitments for future capital expenditure of approximately RMB3,638,000.

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 2024, 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 2024, 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 2024, 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 2024, 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 2024.

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, nor were there any sales of treasury shares of the Company during the Reporting Period. The Company and its subsidiaries also did not redeem, purchase or cancel any of their redeemable securities. There was no treasury shares held by the Company during the Reporting Period.

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, financial statements and half-yearly 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”) is 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 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 C1 of the GEM Listing Rules. The Board will continue to enhance the standard of corporate governance of the Company to ensure that the Company will operate its business in an honourable and responsible manner.

EVENTS AFTER THE REPORTING PERIOD

After the end of the Reporting Period, the Company was informed by Neptunus Bio-engineering (the controlling shareholder of the Company) that, on 28 July 2024, its controlling shareholder Neptunus Group entered into a share transfer agreement and an agreement in relation to the waiver of voting rights respectively with, among others, 廣東省絲綢紡織集團有限公司 (Guangdong Silk Textile Group Company Limited*) (“Textile Group”). Under these agreements, upon completion, which is subject to the satisfaction of a number of conditions, including but not limited to obtaining all necessary corporate, governmental or regulatory approvals, Textile Group will acquire 315,734,800 shares of Neptunus Bio-engineering from Neptunus Group (the “Share Transfer”), and Neptunus Group, Mr. Zhang Si Min, Mr. Zhang Feng and Ms. Wang Fei will relinquish all the voting rights of their respective shares in Neptunus Bio-engineering. Following the completion of the Share Transfer, Textile Group will be beneficially interested in approximately 12% of the entire issued share capital (excluding the repurchased shares to be cancelled) of Neptunus Bio-engineering, and the controlling shareholder of Neptunus Bio-engineering, and the actual controller of Neptunus Bio-engineering will be changed to the People’s Government of Guangdong Province. On the same date, Neptunus Bio-engineering entered into a share subscription agreement with each of Textile Group and 廣東省廣新控股集團有限公司 (Guangdong Guangxin Holdings Group Co., Ltd.*) (“Guangxin Holdings”), the controlling shareholder of Textile Group. Under these agreements, upon the satisfaction of certain conditions, including but not limited to obtaining the corporate, governmental or regulatory approvals, Textile Group and Guangxin Holdings will collectively subscribe for not more than 620,000,000 shares of Neptunus Bio-engineering (the “Share Subscription”). Therefore, after the Share Transfer and Share Subscription, Textile Group and Guangxin Holdings, collectively, will hold 28.78% of the entire issued share capital (excluding the repurchased shares to be cancelled) of Neptunus Bio-engineering. For details, please refer to the announcement of the Company dated 29 July 2024.

Except for the above-said event, there are no other 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, 23 August 2024

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