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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

* *For identification purpose only*

ANNUAL RESULTS

The board of Directors of the Company (the "Board") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2020 (the "Year") together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Revenue	*3, 4*	**1,031,369**	1,080,871
Cost of sales		**(457,009)**	(437,833)
Gross profit		**574,360**	643,038
Other revenue	*5*	**13,538**	9,103
Other net income	*5*	**1,649**	176
Selling and distribution expenses		**(420,578)**	(456,599)
Administrative expenses		**(64,456)**	(65,573)
Other operating expenses		**(50,266)**	(49,542)
Impairment losses on trade and other receivables, net		**(3,205)**	(365)
Profit from operations		**51,042**	80,238
Finance costs	*6(a)*	**(830)**	(1,417)
Profit before taxation	*6*	**50,212**	78,821
Income tax expense	*7*	**(11,470)**	(15,412)
Profit and total comprehensive income for the year		**38,742**	63,409
Profit and total comprehensive income for the year attributable to:			
Owners of the company		**36,592**	59,719
Non-controlling interests		**2,150**	3,690
		38,742	63,409
Earnings per share for profit attributable to the owners of the Company during the year			
Basic and diluted	*9*	**RMB2.18 cents**	RMB3.56 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	**2020** **RMB'000**	2019 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**158,788**	152,948
Right-of-use assets		**56,925**	61,166
Intangible assets		**88,941**	100,260
Deposits for acquisition of property, plant and equipment		**3,891**	1,066
Deferred tax assets	*13(b)*	**2,986**	2,592
		311,531	318,032
Current assets			
Inventories		**120,861**	124,747
Trade and other receivables	*10*	**270,160**	297,133
Pledged bank deposits		**2,445**	–
Short-term bank deposits		**4,000**	–
Bank balances and cash		**411,885**	384,211
		809,351	806,091
Current liabilities			
Trade and other payables	*11*	**179,509**	173,795
Contract liabilities		**16,345**	19,426
Interest-bearing bank borrowings	*12*	**–**	30,000
Entrusted loans from the immediate parent company		**9,000**	9,000
Deferred revenue		**401**	401
Lease liabilities		**1,059**	1,457
Current taxation	*13(a)*	**5,953**	10,212
		212,267	244,291
Net current assets		**597,084**	561,800
Total assets less current liabilities		**908,615**	879,832

	Notes	**2020**	2019
		RMB'000	*RMB'000*
Non-current liabilities			
Deferred revenue		**1,441**	1,842
Deferred tax liabilities	*13(b)*	**11,502**	15,490
Lease liabilities		**–**	2,570
		12,943	19,902
Net assets		**895,672**	859,930
Equity			
Equity attributable to owners of the Company			
Share capital		**167,800**	167,800
Reserves		**625,938**	589,346
Total		**793,738**	757,146
Non-controlling interests		**101,934**	102,784
Total equity		**895,672**	859,930

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company							
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Statutory reserve fund** *RMB'000*	**Capital reserve** *RMB'000*	**Retained earnings** *RMB'000*	**Sub-total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
At 1 January 2019	167,800	554,844	48,423	(188,494)	114,841	697,414	100,894	798,308
Change in equity for 2019								
Profit and total comprehensive income for the year	–	–	–	–	59,719	59,719	3,690	63,409
Release of statutory reserve fund due to deregister of subsidiaries	–	–	13	–	–	13	–	13
Dividend paid from a subsidiary to non-controlling interests	–	–	–	–	–	–	(1,800)	(1,800)
Transfer to other reserves	–	–	29	–	(29)	–	–	–
At 31 December 2019	167,800	554,844	48,465	(188,494)	174,531	757,146	102,784	859,930
At 1 January 2020	**167,800**	**554,844**	**48,465**	**(188,494)**	**174,531**	**757,146**	**102,784**	**859,930**
Change in equity for 2020								
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**36,592**	**36,592**	**2,150**	**38,742**
Dividend paid from a subsidiary to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(3,000)**	**(3,000)**
Transfer to other reserves	**–**	**–**	**471**	**–**	**(471)**	**–**	**–**	**–**
At 31 December 2020	**167,800**	**554,844**	**48,936**	**(188,494)**	**210,652**	**793,738**	**101,934**	**895,672**

1 Basis of preparation

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"); which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance.

These consolidated financial statements also comply with the applicable disclosure requirements of the GEM Listing Rules ("GEM Listing Rules").

These consolidated financial statements are presented in Renminbi ("RMB") which is also the functional currency of the Company. All amounts are rounded to the nearest thousand except where otherwise indicated.

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 2.

The consolidated financial statements have been prepared on the historical cost basis except for principal protected deposits which is stated at fair values.

2. Adoption of New and Amended HKFRSs

New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2020

In the current year, 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 2020:

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

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

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated 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 17	Insurance Contracts and related amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[5]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[6]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020[2]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[5]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after 1 January 2023

4 Effective date not yet determined

5 Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

6 Effective for annual periods beginning on or after 1 June 2020

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

3. Revenue

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

	2020	2019
	RMB'000	*RMB'000*
Manufacturing and selling of medicines	**441,281**	499,138
Sales and distribution of medicines and healthcare products*	**590,088**	581,733
	1,031,369	1,080,871

* For the year ended 31 December 2020, the revenue from sales and distribution of medicines and healthcare products included the revenue from sales management services of pharmaceutical products of approximately RMB5,147,000 (2019: approximately RMB5,858,000) and manufacturing and selling of medicines including sales of medical devices of approximately RMB61,932,000 (2019: approximately RMB12,827,000).

4. Segment Reporting

The Group manages its businesses 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 three reportable segments. No operating segments have been aggregated to form the following reportable segments.

(i) Manufacturing and selling of medicines;

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

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

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

The first segment derives its revenue from the manufacturing, sales of medicines and medical devices.

The second segment derives its revenue from sales and distribution of medicines and healthcare products and providing sales management services of pharmaceutical products.

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

(a) Segment results, assets and liabilities

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

Segment assets include all current and non-assets with the exception of deferred tax assets. Segment liabilities include all current and non-current liabilities with the exception of current taxation and deferred tax liabilities.

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

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

In addition to receiving segment information concerning adjusted EBT, the executive directors are provided with segment information concerning revenue (including inter-segment revenue), impairment of trade and other receivables, reversal of impairment losses on trade and other receivables, write down of inventories and reversal of write down of inventories. Inter-segment revenue are priced with reference to prices charged to external parties for similar orders.

During the year ended 31 December 2020, after considering that there were no provision of research and development services of modern biological technology provided to external customers in recent years, while this segment has supported the segment of sales and distribution of medicines and healthcare products, the management decided to combine this segment with the sales and distribution of medicines and healthcare products segment.

Information regarding the Group's reportable segments as provided to the Group's executive Directors for the purpose of resources allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below:

	Manufacturing and selling of medicines		Sales and distribution of medicines and healthcare products		Research & Development services		Total	
For the year ended 31 December	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue								
Revenue from external customers	**441,281**	499,138	**590,088**	581,733	**–**	–	**1,031,369**	1,080,871
Inter-segment revenue	**36,681**	42,276	**1,161**	1,911	**–**	–	**37,842**	44,187
Reportable segment revenue	**477,962**	541,414	**591,249**	583,644	**–**	–	**1,069,211**	1,125,058
Reportable segment profit/(loss) (adjusted EBT)	**14,513**	25,434	**39,727**	62,212	**–**	(5,500)	**54,240**	82,146
Write down of inventories	**(1,140)**	(7,423)	**(2,095)**	(4,298)	**–**	–	**(3,235)**	(11,721)
Reversal of write down of inventories	**1,209**	114	**109**	–	**–**	–	**1,318**	114
Impairment of:								
– trade receivables	**(253)**	(183)	**(292)**	(125)	**–**	–	**(545)**	(308)
– other receivables	**(3,157)**	–	**(689)**	(57)	**–**	–	**(3,846)**	(57)
Reversal of impairment loss on:								
– trade receivables	**378**	–	**300**	–	**–**	–	**678**	–
– other receivables	**118**	–	**353**	–	**–**	–	**471**	–
Provision for estimated loss on legal proceedings	**(5,589)**	–	**–**	–	**–**	–	**(5,589)**	–
Income tax expense	**(1,464)**	(28)	**(10,006)**	(15,407)	**–**	23	**(11,470)**	(15,412)
Reportable segment assets	**737,031**	780,686	**514,967**	283,293	**–**	189,735	**1,251,998**	1,253,714
Additions to non-current segment assets (other than deferred tax assets) during the year	**31,712**	32,862	**3,422**	570	**–**	43	**35,134**	33,475
Reportable segment liabilities	**247,642**	283,644	**95,566**	73,894	**–**	14,484	**343,208**	372,022

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenue.

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

	2020	2019
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**1,069,211**	1,125,058
Elimination of inter-segment revenue	**(37,842)**	(44,187)
Consolidated revenue	**1,031,369**	1,080,871
Profit		
Reportable segment profit	**54,240**	82,146
Elimination of inter-segment profit	**(1,135)**	(485)
Reportable segment profit derived from the Group's external customers	**53,105**	81,661
Unallocated head office and corporate expense	**(2,893)**	(2,840)
Consolidated profit before taxation	**50,212**	78,821
Assets		
Reportable segment assets	**1,251,998**	1,253,714
Elimination of inter-segment receivables	**(134,102)**	(132,183)
	1,117,896	1,121,531
Deferred tax assets	**2,986**	2,592
Consolidated total assets	**1,120,882**	1,124,123
Liabilities		
Reportable segment liabilities	**343,208**	372,022
Elimination of inter-segment payables	**(135,453)**	(133,531)
	207,755	238,491
Current taxation	**5,953**	10,212
Deferred tax liabilities	**11,502**	15,490
Consolidated total liabilities	**225,210**	264,193

(c) Revenue from major products and services

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

	2020	2019
	RMB'000	*RMB'000*
Medicines and healthcare products	**964,290**	1,062,186
Sales of medical devices	**61,932**	12,827
Sales management services of pharmaceutical products	**5,147**	5,858
	1,031,369	1,080,871

(d) Geographical Information

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

(e) Disaggregation of revenue from contracts with customers

The Group derives revenue from sales of medicines and healthcare products, medical devices and sales management services of pharmaceutical products at a point in time in type of customer:

At 31 December 2020

	Hospital	**Pharmacy**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Manufacturing and selling of medicines	**62,226**	**365,730**	**13,325**	**441,281**
Sales and distribution of medicines and healthcare products	**185,695**	**403,642**	**751**	**590,088**
	247,921	**769,372**	**14,076**	**1,031,369**

At 31 December 2019

	Hospital	Pharmacy	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Manufacturing and selling of medicines	74,754	408,632	15,752	499,138
Sales and distribution of medicines and healthcare products	179,196	402,537	–	581,733
	253,950	811,169	15,752	1,080,871

5. Other Revenue and Other Net Income

	2020	2019
	RMB'000	*RMB'000*
Other revenue		
Interest income from bank deposits	**3,660**	4,943
Interest income from principal protected deposits	**5,564**	3,125
Government subsidies:		
– released from deferred revenue	**401**	401
– directly recognised in profit or loss	**3,396**	599
Others	**517**	35
	13,538	9,103
Other net income		
Reversal of write down of inventories	**1,318**	114
Net foreign exchange gains	**32**	62
Others	**299**	–
	1,649	176

6. Profit before Taxation

Profit before taxation is arrived at after charging the following:

	2020	2019
	RMB'000	*RMB'000*
(a) Finance costs		
Interest on bank loans and other borrowings	**749**	1,207
Interest on lease liabilities	**81**	210
	830	1,417
(b) Staff costs (including directors' emoluments) (note)		
Contributions to defined contribution retirement plans	**8,083**	16,313
Salaries, wages and other benefits	**91,268**	87,354
	99,351	103,667

Note:

Staff costs of approximately RMB26,251,000, RMB29,014,000, RMB32,128,000 and RMB11,958,000* (2019: approximately RMB30,045,000, RMB25,795,000, RMB32,941,000 and RMB14,886,000*) are included in cost of sales, selling and distribution costs, administrative expenses and other operating expenses respectively.

	2020	2019
	RMB'000	*RMB'000*
(c) Other items		
Depreciation of right-of-use assets	**2,728**	3,093
Amortisation of intangible assets*	**4,366**	4,010
Depreciation of property, plant and equipment	**18,607**	16,555
(Reversal of impairment loss on)/impairment of:		
– trade receivables, net	**(133)**	308
– other receivables, net	**3,338**	57
Impairment loss on intangible assets*	**13,588**	3,471
Provision for estimated loss from legal proceedings*	**5,574**	–
Write down of inventories*	**3,235**	11,721
Loss on disposal of property, plant and equipment*	**2,002**	378
Auditor's remuneration	**1,288**	1,212
Auditor's non-audit services remuneration	**586**	610
Lease charges:		
– Short term leases	**4,830**	5,387
Cost of inventories	**449,983**	436,063
Research and development costs* (including salaries, wages and other benefits in note 6(b))	**20,183**	27,776

* These amounts are included in "Other operating expenses" presented on the consolidated statement of profit or loss and other comprehensive income.

7. Income Tax Expense

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

		2020	2019
	Note	***RMB'000***	*RMB'000*
Current tax			
PRC Enterprise Income Tax ("EIT")		**15,852**	17,905
Deferred tax			
Origination and reversal of temporary differences	*13(b)*	**(4,382)**	(2,493)
		11,470	15,412

Hong Kong Profits Tax has not been provided for as the Group had no assessable profits to Hong Kong Profits Tax for the year (2019: Nil).

As at 31 December 2020 and 2019, two subsidiaries of the Group established in the PRC are qualified as "High and New Technology Enterprise" with effect from 30 November 2018 for three years from 2018 to 2020 and 2 December 2019 for three years from 2019 to 2021, respectively. 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, effective from 2019 onwards, enterprises engage in research and development activities are entitled to claim 175% of the research and development expenses incurred in a year as tax deductible expenses in determining taxable profits for that year ("Super Deduction"). Two subsidiaries are eligible to such Super Deduction in ascertaining its tax assessable profit for the years ended 31 December 2020 and 2019.

The Company and other PRC subsidiaries are subject to the PRC EIT at a rate of 25% (2019: 25%) for the year ended 31 December 2020.

(b) Reconciliation between income tax expense and accounting profit at the applicable tax rates:

	2020	2019
	RMB'000	*RMB'000*
Profit before taxation	**50,212**	78,821
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**10,027**	16,562
Tax effect of non-deductible expenses	**9,477**	2,808
Tax effect of non-taxable income	**(4,729)**	(4,309)
(Utilisation)/Recognition of tax losses previously not recognised	**(3,305)**	351
Income tax expenses	**11,470**	15,412

8. Dividends

The Directors do not propose the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

9. Earnings Per Share

Basic earnings per share

The calculation of basic earnings per share has been based on the profit attributable to owners of the Company of approximately RMB36,592,000 (2019: approximately RMB59,719,000) and the weighted average number of 1,678,000,000 ordinary shares (2019: 1,678,000,000 ordinary shares) in issue during the year.

Diluted earnings per share

Diluted earnings per share equals to basic earnings per share as there were no potential dilutive ordinary shares outstanding for both years presented.

10. Trade and Other Receivables

	Notes	2020 RMB'000	2019 RMB'000
Trade receivables		**118,343**	138,439
Less: ECL allowance		**(1,765)**	(2,205)
		116,578	136,234
Bills receivables	*(i)*	**66,431**	98,167
		183,009	234,401
Amounts due from fellow subsidiaries	*(ii)*	**8,765**	1,745
Amounts due from related companies	*(ii)*	**15,250**	16,864
Amount due from the intermediate parent company	*(ii)*	**213**	212
Other receivables	*(iv)*	**10,854**	5,289
Value-added tax recoverable	*(iii)*	**164**	367
Prepayment and deposits	*(iv)*	**56,250**	39,319
Less: ECL allowance		**(4,345)**	(1,064)
		87,151	62,732
		270,160	297,133

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

Notes:

(i) As at 31 December 2020, the Group had discounted bank acceptance bills of approximately RMB66,431,000 (2019: approximately RMB98,167,000). These bank acceptance bills matured within one year from date of issue. The Group considered the issuing banks of the bills are of good credit quality, therefore, the ECL of these receivables are considered as insignificant.

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

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

(iv) Other receivables and prepayment and deposits mainly represent deposits prepaid in advance to suppliers of approximately RMB40,674,000 (2019: approximately RMB34,328,000), which aged within one year, the management has considered the financial position of those suppliers and with closely monitoring and communication with the suppliers.

(a) Ageing analysis

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

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**131,241**	157,271
More than 3 months but less than 12 months	**50,283**	75,341
Over 12 months	**1,485**	1,789
	183,009	234,401

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

(b) Impairment of trade receivables

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

	2020	2019
	RMB'000	*RMB'000*
Balance at 1 January	**2,205**	2,133
ECL recognised during the year	**545**	308
ECL reversed during the year	**(678)**	–
Amount written off during the year	**(307)**	(236)
At 31 December	**1,765**	2,205

(c) Impairment of other receivables

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

	2020	2019
	RMB'000	*RMB'000*
Balance at 1 January	**1,064**	1,007
ECL recognised during the year	**3,847**	57
ECL reversed during the year	**(509)**	–
Amount written off during the year	**(57)**	–
At 31 December	**4,345**	1,064

11. Trade and Other Payables

	Notes	2020 RMB'000	2019 RMB'000
Trade and bills payables		**67,655**	62,678
Receipts in advance		**–**	4,569
Other payables and accruals	*(ii)*	**74,197**	92,682
Provisions	*(iii)*	**5,574**	–
Amounts due to fellow subsidiaries	*(i)*	**27,349**	13,850
Amount due to the immediate parent company	*(i)*	**–**	16
Amounts due to related companies	*(i)*	**4,734**	–
		179,509	173,795

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand. An ageing analysis of trade and bills payables at the end of the reporting period, presented based on the invoice date, is as follows:

	2020 RMB'000	2019 RMB'000
Within 3 months	**63,728**	44,765
4 to 6 months	**401**	8,073
7 to 12 months	**1,779**	8,285
Over 1 year	**1,747**	1,555
	67,655	62,678

Notes:

(i) The balances are unsecured, interest-free and repayable on demand.

(ii) Other payables and accruals mainly represent security deposits, VAT payable, selling expense payable, and other tax payables of approximately RMB20,641,000, RMB2,765,000, RMB22,261,000 and RMB1,416,000 (2019: approximately RMB 29,991,000, RMB10,310,000, RMB30,598,000 and RMB9,266,000) respectively.

(iii) The balance represents the provision for estimated loss from legal proceedings in the People's Court of Fengxian District*, Shanghai (上海市奉賢區人民法院), PRC, amounted to approximately RMB5,574,000 claimed by a supplier of Neptunus Fuyao, an 80%-owned subsidiary of the Company. Neptunus Fuyao shall pay the net amount of RMB4,532,000 after deducting relevant amounts paid to the supplier.

Although Neptunus Fuyao has lodged an appeal to Shanghai No.1 Intermediate People's Court* (上海市第一中級人民法院), PRC, which is still in progress at the announcement date, the management considers that the claim is highly probable. Accordingly, the Group has made a provision for the claims to the supplier.

Details of the legal proceedings are disclosed in the Company's announcement dated 17 March 2020 and 8 September 2020.

* *For identification only*

12. Interest-Bearing Bank Borrowings

	Effective interest rate	Maturity	**2020** ***RMB'000***	2019 *RMB'000*
Short-term bank loan – secured	Nil (2019: 4.35%)	Nil (2019: within 1 year)	**–**	30,000

The interest-bearing bank borrowings are carried at amortised cost. All of the Group's borrowings are denominated in RMB. All outstanding bank loans were repaid during the year ended 31 December 2020.

For the year ended 31 December 2019

At 31 December 2019, the Group has pledged buildings and prepaid lease payments included in right-of-use assets stated at an aggregate value of approximately RMB40,140,000 and RMB57,739,000 respectively. The Group has utilised banking facilities of RMB30,000,000 and has available unutilised banking facilities of RMB70,000,000.

For the year ended 31 December 2020

At 31 December 2020, the Group has pledged buildings and prepaid lease payments included in right-of-use assets stated at an aggregate value of approximately RMB32,690,000 and RMB56,169,000 respectively. The Group has available unutilised banking facilities of RMB100,000,000.

13. Taxation in the Consolidated Statement of Financial Position

(a) Current taxation in the consolidated statement of financial position represents:

	2020 ***RMB'000***	2019 *RMB'000*
PRC EIT		
Provision for the year	**3,611**	7,870
Balance of tax provisions relating to prior years	**2,342**	2,342
	5,953	10,212

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax liabilities/(assets) recognised in the consolidated statement of financial position and the movements during the year as follows:

	Fair value change of non-current assets *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
At 1 January 2019	16,914	(1,523)	15,391
Credited to profit or loss	(1,424)	(1,069)	(2,493)
At 31 December 2019 and 1 January 2020	15,490	(2,592)	12,898
Credited to profit or loss	(3,988)	(394)	(4,382)
At 31 December 2020	**11,502**	**(2,986)**	**8,516**

	2020 ***RMB'000***	2019 *RMB'000*
Net deferred tax assets recognised on the consolidated statement of financial position	**(2,986)**	(2,592)
Net deferred tax liabilities recognised on the consolidated statement of financial position	**11,502**	15,490
At 31 December	**8,516**	12,898

(c) Deferred tax assets not recognised

At the end of the reporting period, the Group has unused tax losses of approximately RMB54,145,000 (2019: approximately RMB67,323,000) available for offset against future profits that may be carried forward for five years for PRC EIT purposes. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Year, the Group was principally engaged in the research and development, manufacturing and selling of medicines, and the purchase and sales of medicines and healthcare food products in the PRC. The medicines being sold by the Group mainly cover four therapeutic areas which are oncology, cardiovascular system, respiratory system and digestive system.

Research and Development, Manufacturing and Selling of Medicines

Currently, the Group manufactures its own medicines through its production base located in Jin'an District, Fuzhou, Fujian Province, the PRC ("Fuzhou Production Base"), including Chinese medicines (which include 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), with nearly 500 approval documents being registered, and approximately 170 product specifications have been included into the Catalogue of Drugs for Basic National Medical Insurance. The Fuzhou Production Base is the only narcotic production base in Fujian Province designated by the State.

Currently, the Group's research and development work mainly fulfills the internal development demands of the Group through conducting independent research and development and cooperation with external research and development institutions. Two pharmaceutical manufacturing subsidiaries of the Group are recognized as high-tech enterprises in Fujian Province and entitled to enjoy preferential corporate income tax treatment for high-tech enterprises. The said two subsidiaries currently possess various new drugs and exclusive products with self-owned intellectual property rights, including Tegafur, Gimeracil and Oteracil Potassium Tablets (the "TGOP Tablets" or 替吉奥片, a new drug for anti-gastric cancer), Xiaozheng Yigan Tablets (消症益肝片, an anti-liver-cancer drug), Proteoglycan Tablets (多糖蛋白片, for enhancing the immune system), Biyuan Capsules (鼻淵膠囊, an antirhinitis medicine), Amaranth Berberine Capsules (莧菜黃連素膠囊, a drug for acute diarrhea), Pre-filled Catheter Flusher (預充式導管沖洗器, a Class III medical device) and HTK Myocardial Protection Cardioplegic Solution (HTK 心肌保護停跳液, a Class III medical device). A subsidiary of the Group has been included into "Cultivation and Development Library of Little Giant Leading Enterprises in Science and Technology" of Fujian Province since 2016 with a term of validity of 5 years and was therefore entitled to supportive measures such as a special fund as an award of additional tax deduction on research and development expenses according to the relevant rules.

Under the national policy in relation to quality consistency evaluation for generic drugs, appropriate types of medicines were proactively selected by a pharmaceutical manufacturing subsidiary of the Group and the first batch of selected medicines were selected to undergo the quality consistency evaluation for generic drugs in 2016. Currently, two of the selected medicines, Sodium Bicarbonate Tablets and Norfloxacin Capsules, have already passed the consistency evaluation. For details, please refer to the announcements of the Company dated 9 April 2019 and 11 January 2021. The relevant work of quality consistency evaluation for other selected medicines is under orderly progress.

Affected by the national policies, hospitals restrict the use of antibiotics and gradually cancel outpatient infusion. Besides, the intensified competition in the bidding and tendering for drugs, and the increasingly stringent regulation of the drug production and quality have imposed additional pressure on the operation of pharmaceutical enterprises. Meanwhile, the gross profit of the sales and manufacturing business of the Group has further decreased due to the decrease in the selling price of drugs, increase in the price of active ingredients, higher quality requirement for drugs, increased investment in the pharmaceutical enterprise drug quality assurance system and the increasing expenses for drug re-registration and quality consistency evaluation.

During the Year, the centralized procurement of drugs organized by the state had entered the stage of regular operation, and the landscape of the medical industry was changing at an accelerating pace. The Group's TGOP products have been included into the Drug Directory for "4+7" Procurement with Target Quantity, with the price dropped significantly, which has greatly affected its market expansion, sales volume and profit margins. Furthermore, due to the impact of the COVID-19 pandemic, the demand for non-epidemic drugs in medical institutions across the country decreased, and anti-cold, cough and antipyretic drugs were under control, which affected the sales of self-manufactured drugs of the Group to some extent.

During the Year, an 80%-owned subsidiary of the Company (the "Subsidiary"), was served with a writ of summons ((2020) Hu 0120 Min Chu 1752 Hao ((2020)滬0120民初1752號)), the "Writ") issued by the People's Court of Fengxian District, Shanghai (上海市奉賢區人民法院), PRC. The plaintiff in the writ made a claim against the Subsidiary in respect of the "Tegafur Exclusive Agency Agreement" (替加氟獨家代理協議) (the "Agreement"). In response, the Subsidiary actively responded to the lawsuit and filed a counterclaim in a timely manner. During the Year, the People's Court of Fengxian District, Shanghai (上海市奉賢區人民法院), the PRC issued a civil judgement ((2020) Hu 0120 Min Chu 1752 Hao) ((2020)滬0120民初1752號), (the "Judgement") in relation to the legal proceedings, pursuant to which the plaintiff (the defendant of the counterclaim case) has the right to confiscate the security deposit (保證金) of RMB3 million paid by the Subsidiary (the defendant of the case and the plaintiff of the counterclaim case) under the terms of the Agreement, and the Subsidiary (the defendant of the case and the plaintiff of the counterclaim case) shall pay RMB4,531,600 (after deducting related amounts) to the plaintiff (the defendant of the counterclaim case) within the prescribed time limit as stated in the Judgement. The Judgment did not affect the business and normal operations of the Group. Moreover, the Subsidiary has lodged an appeal within the appeal period specified in the Judgment. For details, please refer to the announcements of the Company dated 17 March 2020 and 8 September 2020.

Purchase and Sales of Medicines and Healthcare Food Products

Currently, the main products distributed by the Group are medicines and healthcare food products, which include the well-known product series of the Neptunus Ginkgo Leaves Tablets (海王銀杏葉片) and Neptunus Jinzun (海王金樽). 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 Year, the macro factors such as the COVID-19 pandemic, the adjustment of medical insurance policy and the policy of centralized procurement brought a certain impact on the purchase and sales business of the Group's medicines and healthcare food products. To mitigate the above impact and maintain the continuous growth of the business, the Group actively stabilized its team to overcome the difficulties together, and meanwhile paid close attention to the trend of the pandemic, kept up with the market focus, adopted flexible and diverse marketing strategies, promoted the sales of epidemic prevention related products, and by leveraging on the opportunity of market recovery, restarted various promotional activities, actively followed up the bidding for provision of drugs to hospitals, promoted the pharmaceutical product sales in end medical institutions, and increased the promotion of health food purchase and sales business. Through the above efforts, the purchase and sales business of medicines and healthcare food products of the Group basically remained stable during the Year.

To adapt to the new policy environment, the purchase and sales segment of the Group's medicines and healthcare food products transformed part of such business into the pharmaceutical product management service business based on the requirements of end users and manufacturing enterprises. During the Year, the pharmaceutical product sales management service business has been taken over by the Company to coordinate the sales network and customer resources of the Group to better develop such business. In addition, during the Year, the Group added a new low margin distribution business in the purchase and sales segment of the medicines and healthcare food products, which mainly distributed drugs with competitive prices to chain pharmacies so as to expand and protect its market position.

Environmental, Social and Governance

The Group has been giving emphasis and taking actions in the aspects of environment, society and governance, including: constantly improving production efficiency, conserving resources and enhancing employees' awareness of environmental protection. Regarding production, the output corresponding to unit carbon emission increases, the pollution and the emission of hazardous substance which are in violation of laws and regulations are banned. Regarding office management, office supplies and energy consumption are conserved. Also, the Group actively improved the working environment and committed to social responsibility.

During the Year, the Company engaged a professional third-party institution to assist the Company in conducting the comprehensive communication (from various dimensions) with stakeholders by way of face-to-face communication, telephone interview, questionnaire and survey. The relevant results are not only an important reference to which the Company review and promote the sustainability agenda of the Group, but also provide a powerful basis for the material selection and preparation of our environmental, social and governance report.

The environmental, social and governance report prepared by the Company pursuant to Appendix 20 of the GEM Listing Rules will be published within two months following the release of the Company's annual report.

Event after Reporting Period

On 13 December 2007, the Company obtained a shareholder's entrusted loan of RMB9,000,000 (the "Entrusted Loan") from the immediate parent company of the Company, Shenzhen Neptunus Bio-engineering Co., Ltd ("Neptunus Bio-engineering") through an entrusted arrangement with a bank. Neptunus Bio-engineering had undertaken to the Company that it would not demand repayment of the Entrusted Loan unless and until: (1) the repayment of the Entrusted Loan would not adversely affect the operations of the Company and/or its business objectives as set out in the prospectus published by the Company on 29 August 2005 (the "Prospectus"); (2) each of the independent non-executive directors of the Company was of the opinion that the repayment of the Entrusted Loan would not adversely affect the operations of the Company and/or the implementation of its business objectives as set out in the Prospectus, and the Company would make an announcement in respect of the decision of the independent non-executive directors of the Company made under (2); and (3) the Company had a positive cash flow and had retained profits in the relevant financial year (the "Repayment Conditions"). As the Repayment Conditions were fully satisfied, after the negotiation between the Company and Neptunus Bio-engineering, the Company repaid the Entrusted Loan to Neptunus Bio-engineering on 18 February 2021. For details, please refer to the announcement of the Company dated 18 February 2021.

PROSPECTS AND OUTLOOK

With the Chinese government continuously driving the reform of the pharmaceutical industry, pharmaceutical enterprises will face more stringent regulations. Although this may create short-term operating pressures, the Group believes that a better regulated market will ultimately bring opportunities to pharmaceutical enterprises in China and keep the pharmaceutical industry in China growing in the long term. The Group believes that the growth of the pharmaceutical industry in China is supported by a combination of favorable factors, including the ageing population, the universal two-child policy, Chinese government's continual investment of resources and funds in the pharmaceutical industry, and the rising income level and purchasing power of domestic consumers. Going forward, the Group will leverage on the opportunities and challenges in the pharmaceutical and healthcare industry brought by the national policies. Meanwhile, the Group will also allocate more resources to the research and development of new drugs, quality consistency evaluation for generic drugs and production capacity and product quality assurance system, increase investment in the promotion of retail pharmacies and primary medical institutions, and cultivate core varieties that are competitive in terms of efficacy, brand or cost, to eliminate the adverse effects and ensure the sustainable and healthy development of the Group's pharmaceutical manufacturing and sales business.

FINANCIAL REVIEW

The Group's revenue for the Year was approximately RMB1,031,369,000 (2019: approximately RMB1,080,871,000), representing a decrease of approximately 4.58% as compared with the corresponding period of last year. In relation to the revenue, approximately RMB441,281,000, which amounted to approximately 42.79% of the Group's total revenue, was derived from the manufacturing and selling of medicines segment, while approximately RMB590,088,000, which amounted to approximately 57.21% of the Group's total revenue, was derived from the sales and distribution of medicines and healthcare products segment. During the Year, the Group's revenue from the manufacturing and selling of medicines segment decreased by approximately 11.59% as compared with the corresponding period of last year, while the revenue of the sales and distribution of medicines and healthcare products segment increased by approximately 1.44% as compared with the corresponding period of last year. Therefore the overall revenue of the Group decreased slightly.

During the Year, the Group's gross profit margin was approximately 56% (2019: approximately 59%), representing a decrease of approximately 3 percentage points as compared with the corresponding period of last year. The decrease in gross profit margin was mainly attributable to the low gross profit margin of a new distribution business.

The Group's gross profit during the Year was approximately RMB574,360,000 (2019: approximately RMB643,038,000), representing a decrease of approximately 10.68% as compared with the corresponding period of last year. The decrease in gross profit was mainly attributable to the slight decrease in the overall revenue and the gross profit margin of the Group caused by the COVID-19 pandemic.

During the Year, the Group's selling and distribution expenses were approximately RMB420,578,000 (2019: approximately RMB456,599,000), representing a decrease of approximately 7.89% from the corresponding period of last year. The decrease in selling and distribution expenses was mainly due to the new distribution business as it does not incur any selling and distribution expenses.

The Group's administrative expenses for the Year were approximately RMB64,456,000 (2019: approximately RMB65,573,000), representing a decrease of approximately 1.70% from the corresponding period of last year. The decrease in administrative expenses was mainly attributable to the decrease in social insurance premium, which was because the Group was entitled to the periodical deduction and exemption of social insurance premium measures.

During the Year, the Group's other operating expenses (including impairment losses trade and other receivables, net) amounted to approximately RMB53,471,000 (2019: approximately RMB49,907,000), representing an increase of approximately 7.14% as compared with the corresponding period of last year. The increase in other operating expenses was mainly because (i) a provision for impairment loss of approximately RMB13,588,000 for intangible assets (anesthetic drug production and selling right) was made; and (ii) provisions of RMB5,574,000 and RMB3,000,000 were respectively made for the estimated loss from the legal proceedings and the impairment of loss for the unrecoverable security deposit pursuant to the civil judgement ((2020) Hu 0120 Min Chu 1752 Hao ((2020)滬0120民初1752號)) of the first instance issued by the People's Court of Fengxian District, Shanghai (上海市奉賢區人民法院), the PRC in relation to the legal proceedings regarding the "Tegafur Exclusive Agency Agreement" (替加氟獨家代理協議). The Group already lodged an appeal within the time period for appeal as prescribed in the above judgement.

The Group's finance costs for the Year amounted to approximately RMB830,000 (2019: approximately RMB1,417,000), representing a decrease of approximately 41.42% as compared with the corresponding period of last year. The decrease in finance costs was mainly because: (i) the average principal amount of bank loans of the Group during the Year decreased as compared with the corresponding period of last year. Thereby the finance costs decreased accordingly; and (ii) the interest on lease liabilities of the Group decreased during the Year.

For the reasons above, the Group's profit after tax decreased from approximately RMB63,409,000 of the corresponding period of last year to approximately RMB38,742,000 of the Year, representing a decrease of approximately 38.90%. Profit attributable to the owners of the Company decreased from approximately RMB59,719,000 of the corresponding period of last year to approximately RMB36,592,000 of the Year, representing a decrease of approximately 38.72%.

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 working capital and finance requirements on a regular basis.

Banking Facilities

As at 31 December 2020, the Group had no bank borrowings. Details of banking facilities please refer to note 12 to this announcement.

Shareholder's Entrusted Loan

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

As the above-mentioned repayment conditions were fully satisfied, the Company has repaid the above-mentioned shareholder's entrusted loan to Neptunus Bio-engineering on 18 February 2021.

NET CURRENT ASSETS

As at 31 December 2020, the Group had net current assets of approximately RMB597,084,000. Current assets comprised cash and cash equivalents of approximately RMB418,330,000, inventories of approximately RMB120,861,000 and trade and other receivables of approximately RMB270,160,000. Current liabilities comprised trade and other payables of approximately RMB179,509,000, current tax of approximately RMB5,953,000, contract liabilities of approximately RMB16,345,000, lease liabilities of approximately RMB1,059,000, entrusted loan of RMB9,000,000 and deferred revenue of RMB401,000. The net current assets increased approximately by RMB35,284,000 as compared with that of approximately RMB561,800,000 as at 31 December 2019. The increase in net current assets as compared to that on 31 December 2019 was mainly due to the fact that cash and cash equivalents increased by approximately RMB34,119,000.

PLEDGE OF ASSETS

As at 31 December 2020, the available banking facilities of RMB100,000,000 of the Group were secured by pledge of its buildings and prepaid lease payments and the pledged buildings and prepaid lease payments were stated at an aggregate value of approximately RMB88,859,000.

FOREIGN CURRENCY RISK

During the Year, the Group's operating revenue, major selling costs and capital expenditure were denominated in RMB. As at 31 December 2020, 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.

SEGMENT INFORMATION

Segment revenue and segment results by business and region of the Group for the Year are set out in note 4 to this announcement.

CAPITAL COMMITMENTS

As at 31 December 2020, the Group has contracted commitments for future capital expenditure of approximately RMB1,759,000. The Board believes that such capital expenditure can be financed by the Group's bank deposits and bank borrowings.

CONTINGENT LIABILITY

As at 31 December 2020, save as disclosed in note 11, the Group had no significant contingent liability.

MAJOR INVESTMENT PLANS

During the Year, the Group did not make major investments.

HUMAN RESOURCES

As at 31 December 2020, the Group employed a total of 1,217 staff (2019: 1,239).

During the Year, the staff costs including directors' remuneration which amounted to approximately RMB99,351,000 (2019: approximately RMB103,667,000). 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 and bonus policies of the Group based on the performance of the employees. The Group also provided various other benefits to its employees.

Compared with 31 December 2019, there was no significant movement in the number of employees of the Group at the end of the Year.

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.

DIVIDENDS

The Directors do not recommend the distribution of any dividends for the Year (2019: Nil).

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company had no distributable reserves, while its accumulated loss, calculated in accordance with the Company's articles of association and relevant rules and regulations, amounted to approximately RMB86,230,000.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the PRC which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALES OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY

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

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

As far as the Directors or supervisors of the Company are aware, as at 31 December 2020, the interests and short position of the Directors, supervisors and chief executives 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 ("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 in associated corporation**	**Approximate percentage of associated corporation's issued share capital**
Mr. Zhang Feng (Note (a))	Beneficial owner	Personal	Neptunus Bio-engineering	1,331,093	0.05%
Mr. Zhou Hang (Note (b))	Beneficial owner	Personal	Neptunus Bio-engineering	1,478,700	0.05%
Ms. Yu Lin (Note (c))	Beneficial owner	Personal	Neptunus Bio-engineering	900,000	0.03%
Mr. Shen Da Kai (Note (d))	Beneficial owner	Personal	Neptunus Bio-engineering	2,000,000	0.07%
Ms. Cao Yang (Note (e))	Beneficial owner	Personal	Neptunus Bio-engineering	200,000	0.01%

Notes:

(a) Mr. Zhang Feng, chairman of the Board of the Company and deputy chairman and non-independent director of the 8th session of the board of directors and president of Neptunus Bio-engineering, was beneficially interested in approximately 0.05% of the entire issued share capital of Neptunus Bio-engineering, the Company's controlling shareholder, which in turn held directly and indirectly the beneficial interest in approximately 73.51% of the entire issued share capital of the Company, of which 70.38% was directly held and 3.13% was indirectly held through Shenzhen Neptunus Oriental Investment Company Limited ("Neptunus Oriental").

(b) Mr. Zhou Hang, previous executive Director of the Company, was beneficially interested in approximately 0.05% of the entire issued share capital of Neptunus Bio-engineering, the Company's controlling shareholder, which in turn held directly and indirectly the beneficial interest in approximately 73.51% of the entire issued share capital of the Company, of which 70.38% was directly held and 3.13% was indirectly held through Neptunus Oriental.

(c) Ms. Yu Lin, non-executive Director of the Company, was beneficially interested in approximately 0.03% of the entire issued share capital of Neptunus Bio-engineering, the Company's controlling shareholder, which in turn held directly and indirectly the beneficial interest in approximately 73.51% of the entire issued share capital of the Company, of which 70.38% was directly held and 3.13% was indirectly held through Neptunus Oriental.

(d) Mr. Shen Da Kai, non-executive Director of the Company, was beneficially interested in approximately 0.07% of the entire issued share capital of Neptunus Bio-engineering, the Company's controlling shareholder, which in turn held directly and indirectly the beneficial interest in approximately 73.51% of the entire issued share capital of the Company, of which 70.38% was directly held and 3.13% was indirectly held through Neptunus Oriental.

(e) Ms. Cao Yang, employees representative supervisor and senior human resources manager of the integrated management department of the Company, was beneficially interested in approximately 0.01% of the entire issued share capital of Neptunus Bio-engineering, the Company's controlling shareholder, which in turn held directly and indirectly the beneficial interest in approximately 73.51% of the entire issued capital of the Company, of which 70.38% was directly held and 3.13% was indirectly held through Neptunus Oriental.

Save as disclosed above, as at 31 December 2020, none of the Directors, supervisors or chief executives 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 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

So far as the Directors and supervisors of the Company are aware, as at 31 December 2020, the interests and/or short positions held by shareholders (not being a Director, a supervisor or a chief executive of the Company) in shares or underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified to the Company were as follows:

Long positions in the shares of the Company:

Substantial Shareholder	Capacity	Number of domestic shares held	Approximate percentage of all the domestic shares	Approximate percentage of the Company's issued share capital
Neptunus Bio-engineering *(Note (a))*	Beneficial owner	1,181,000,000	94.33%	70.38%
	Interest in controlled corporation	52,464,500	4.19%	3.13%
Shenzhen Neptunus Group Company Limited ("Neptunus Group") *(Note (b))*	Interest in controlled corporation	1,233,464,500	98.52%	73.51%
Shenzhen Neptunus Holding Group Company Limited ("Neptunus Holding") (Previously known as "Shenzhen Yinhetong Investment Company Limited") *(Note (c))*	Interest in controlled corporation	1,233,464,500	98.52%	73.51%
Mr. Zhang Si Min *(Note (d))*	Interest in controlled corporation	1,233,464,500	98.52%	73.51%

Notes:

(a) Neptunus Bio-engineering was deemed to be interested in the 52,464,500 domestic shares of the Company held by Neptunus Oriental as the entire issued share capital of Neptunus Oriental was beneficially owned by Neptunus Bio-engineering. Neptunus Bio-engineering was also directly interested in 1,181,000,000 domestic shares of the Company. Therefore, Neptunus Bio-engineering was directly and indirectly interested in 1,233,464,500 domestic shares of the Company.

(b) Neptunus Group was deemed to be interested in the 1,233,464,500 domestic shares of the Company, which relate to the same parcel of shares referred to in note (a) above, held by Neptunus Bio-engineering as Neptunus Group was beneficially interested in approximately 44.03% of the entire issued share capital of Neptunus Bio-engineering.

(c) Neptunus Holding was deemed to be interested in 1,233,464,500 domestic shares of the Company, which relate to the same parcel of shares referred to in note (a) above, held by Neptunus Bio-engineering as Neptunus Holding was beneficially interested in approximately 59.68% of the entire issued share capital of Neptunus Group, which in turn was beneficially interested in approximately 44.03% of the entire issued share capital of Neptunus Bio-engineering.

(d) Mr. Zhang Si Min ("Mr. Zhang") was deemed to be interested in 1,233,464,500 domestic shares of the Company, which relate to the same parcel of shares referred to in note (a) above, held by Neptunus Bio-engineering as Mr. Zhang was beneficially interested in 70% of the entire issued share capital of Neptunus Holding and the entire issued share capital of Shenzhen Haihe Investment and Development Company Limited ("Haihe"), which in turn was beneficially interested in approximately 59.68% and 20% of the entire issued share capital of Neptunus Group respectively. Neptunus Group was beneficially interested in approximately 44.03% of the entire issued share capital of Neptunus Bio-engineering.

Save as disclosed above, the Directors and supervisors of the Company are not aware of any other persons (except the Directors, supervisors or chief executives 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 under section 336 of the SFO as at 31 December 2020.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors and supervisors of the Company has entered into a service contract with the Company with a term up to 24 June 2023 and is subject to termination by either party giving not less than three months' prior written notice to the other.

None of the Directors or supervisors of the Company has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' remuneration is subject to shareholders' approval at general meetings. Other emoluments are determined by the Remuneration Committee with reference to Directors' duties, responsibilities and performance and the results of the Company.

According to the service contracts entered into between the Company and its supervisors, (i) the Company shall pay Mr. Xiong Chu Xiong the remuneration of RMB30,000 per annum for his service as a supervisor; (ii) the Company shall pay Mr. Jin Ge the remuneration of RMB30,000 per annum for his service as a supervisor; and (iii) Ms. Cao Yang, the employee representative supervisor, is entitled to a supervisor's allowance of RMB20,000 per annum for her service as a supervisor.

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 (among others), that as long as the securities of the Company are listed on GEM (previously known as the 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 those 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 enters into any negotiations, within or outside the PRC, in relation to any new investment projects which may compete with the existing and future business of the Company, the Company shall have a preferential rights of investments in such new investment projects.

Neptunus Bio-engineering has confirmed with the Company that it has complied with the Non-competing Undertakings during the Year.

CORPORATE GOVERNANCE PRACTICES

The Corporate Governance Code was effective for accounting periods commencing on or after 1 January 2005. The Company put strong emphasis on the superiority, steadiness and rationality of corporate governance. The Board is of the view that the Company has complied with the requirements set out in Appendix 15 "Corporate Governance Code and Corporate Governance Report" of the GEM Listing Rules throughout the Year.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the Year, the Company has adopted a code of conduct regarding securities transactions by the 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 have confirmed that they have complied with the "required standard of dealings" and the Company's internal code of conduct regarding securities transactions by the Directors during the Year.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company has reviewed the Group's annual results for the Year. The figures in this preliminary announcement of the Group's results for the Year have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited (the "Auditor"), to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on this preliminary announcement.

By order of the Board
Shenzhen Neptunus Interlong Bio-technique Company Limited*
Zhang Feng
Chairman

Shenzhen, the PRC, 19 March 2021

* *For identification purpose only*

As at the date of this announcement, the executive Directors are Mr. Zhang Feng and Mr. Huang Jian Bo; the non-executive Directors are Mr. Zhang Yi Fei, Ms. Yu Lin, Mr. Shen Da Kai and Mr. Xu Yan He; and the independent non-executive Directors are Mr. Yick Wing Fat, Simon, Mr. Poon Ka Yeung and Mr. Zhang Jian Zhou.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from its date of publication and on the Company's website at www.interlong.com.