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 2023

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This announcement, for which the directors (the "Directors") of Shenzhen Neptunus Interlong Bio-technique Company Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, 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.

ANNUAL RESULTS

The board (the "Board") of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2023 (the "Year") together with the comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023** **RMB'000**	2022 RMB'000
Revenue	3	**1,064,861**	986,691
Cost of sales		**(617,350)**	(542,549)
Gross profit		**447,511**	444,142
Other revenue and other net income	5	**28,869**	24,042
Selling and distribution expenses		**(252,826)**	(244,231)
Administrative expenses		**(90,433)**	(93,733)
Other operating expenses		**(93,746)**	(38,096)
Impairment of trade and other receivables, net		**(3,127)**	(2,831)
Profit from operations		**36,248**	89,293
Finance costs	6(a)	**(5,574)**	(7,032)
Profit before taxation	6	**30,674**	82,261
Income tax expense	7	**(16,148)**	(18,431)
Profit and total comprehensive income for the year		**14,526**	63,830
Profit/(Loss) and total comprehensive income/(expenses) for the year attributable to:			
Owners of the Company		**24,127**	54,346
Non-controlling interests		**(9,601)**	9,484
		14,526	63,830
Earnings per share			
Basic and diluted	9	**RMB1.44 cents**	RMB3.24 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Notes	**2023**	2022
		RMB'000	*RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**203,570**	207,674
Right-of-use assets		**81,003**	91,830
Intangible assets		**122,149**	110,400
Goodwill		**63,422**	96,524
Deposits for acquisition of property, plant and equipment		**1,525**	1,435
Deposits for acquisition of land use right		**9,817**	9,817
Deferred tax assets		**3,576**	5,461
Time deposits		**10,000**	30,000
		495,062	553,141
Current assets			
Inventories		**205,424**	203,023
Trade and other receivables	*10*	**332,954**	341,968
Short-term bank deposits		**10,000**	60,000
Bank balances and cash		**372,206**	290,098
		920,584	895,089
Current liabilities			
Trade and other payables	*11*	**260,527**	267,483
Contract liabilities		**16,034**	43,578
Interest-bearing borrowings	*12*	**85,417**	85,028
Deferred revenue		**–**	401
Lease liabilities		**499**	3,181
Current taxation		**3,703**	13,052
		366,180	412,723
Net current assets		**554,404**	482,366
Total assets less current liabilities		**1,049,466**	1,035,507

	Notes	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Interest-bearing borrowings	*12*	**2,427**	2,909
Deferred revenue		**589**	589
Lease liabilities		**1,343**	1,574
Deferred tax liabilities		**28,925**	25,131
		33,284	30,203
Net assets		**1,016,182**	1,005,304
EQUITY			
Equity attributable to owners of the Company			
Share capital		**167,800**	167,800
Reserves		**740,369**	716,242
		908,169	884,042
Non-controlling interests		**108,013**	121,262
Total equity		**1,016,182**	1,005,304

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	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 2022	167,800	554,844	49,611	(188,494)	245,935	829,696	114,704	944,400
Profit and total comprehensive income for the year	–	–	–	–	54,346	54,346	9,484	63,830
Dividend paid to non-controlling interests	–	–	–	–	–	–	(2,926)	(2,926)
Release of statutory reserve upon deregistration of a subsidiary	–	–	(250)	–	250	–	–	–
Transfer to statutory reserve fund	–	–	1,721	–	(1,721)	–	–	–
At 31 December 2022	167,800	554,844	51,082	(188,494)	298,810	884,042	121,262	1,005,304
At 1 January 2023	**167,800**	**554,844**	**51,082**	**(188,494)**	**298,810**	**884,042**	**121,262**	**1,005,304**
Profit/(loss) and total comprehensive income/(expense) for the year	**–**	**–**	**–**	**–**	**24,127**	**24,127**	**(9,601)**	**14,526**
Dividend paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(3,648)**	**(3,648)**
Transfer to statutory reserve fund	**–**	**–**	**1,721**	**–**	**(1,721)**	**–**	**–**	**–**
At 31 December 2023	**167,800**	**554,844**	**52,803**	**(188,494)**	**321,216**	**908,169**	**108,013**	**1,016,182**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. General Information

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 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 ("Neptunus Bio-engineering"), 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 Group include the development, production and sales of medicines, the research and development of modern biological technology business and the purchase and sales of medicines and healthcare food products and medical devices. The Group's operations are based in the PRC.

2. Basis of Preparation and Adoption of New and Amended Hong Kong Financial Reporting Standards ("HKFRSs")

(a) Basis of preparation

These annual consolidated financial statements have been prepared in accordance with HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") 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 Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited ("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 consolidated financial statements have been prepared on the historical cost basis.

(b) New and amended HKFRSs that are effective for annual periods beginning on 1 January 2023

In the current year, 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 2023:

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

Except for those mentioned below, 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.

Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

The amendments to HKAS 1 require entities to disclose material accounting policy information instead of significant accounting policies in its financial statements. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also provide some guidance on how material policy information are being identified and provide some examples of when accounting policy information is likely to be material.

In March 2021, HKICPA issued HKFRS Practice Statement 2 "Making Materiality Judgements" to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. HKFRS Practice Statement 2 was subsequently revised to provide guidance and examples on how to apply the concept of materiality to accounting policy disclosures.

The amendments to HKAS 1 are applied by the Group on 1 January 2023 and are applied prospectively. The amendments have no impact on the Group's financial positions and performance.

Amendments to HKAS 8 "Definition of Accounting Estimates"

The amendments clarify how entities should distinguish changes in accounting policies from changes in accounting estimates by introducing a definition for accounting estimates, which is now defined as "monetary amounts in the financial statements that are subject to measurement uncertainty".

Besides, the amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Accounting estimates typically involve the use of judgements or assumptions based on latest available reliable information. A change in accounting estimate that results from new information or new development is not correction of an error. Therefore, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. In addition, two illustrative examples are added to illustrate how to apply the new definition of accounting estimates.

The amendments are applied by the Group on 1 January 2023 and are applied prospectively. The amendments have no impact on the consolidated financial statements of the Group.

Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments clarify that the initial recognition exemption of deferred tax in HKAS 12 "Income Taxes" does not apply to transactions that give rise to equal taxable and deductible temporary differences, such as lease contracts that give rise to the recognition of a lease liability and the corresponding right-of-use assets and contracts that give rise to the recognition of decommissioning obligations and corresponding amounts recognised as assets. Instead, entities are required to recognise the related deferred tax asset and liability on initial recognition, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12 "Income Taxes".

The Group adopted the amendments from 1 January 2023 and are required to recognise the associated deferred tax assets and liabilities from leases that occurred on or after 1 January 2022, with any cumulative effect recognised as an adjustment to retained profits at that date.

Prior to the application of the amendments, the Group had recognised the deferred tax assets and liabilities arising from leases on a net basis. Following the requirements of the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets as at 1 January 2022. As the balances are qualified for offset under paragraph 74 of HKAS 12, there is no material impact on the opening retained profits as at 1 January 2022 as a result of the amendments.

Amendments to HKAS 12 "International Tax Reform – Pillar Two Model Rules"

The amendments provide mandatory temporary relief from accounting for deferred tax arising from the Organisation for Economic Co-operation and Development's Pillar Two model rules (i.e. global minimum tax rules designed to ensure that large multinational business pay a minimum effective rate of tax of 15% on profits in all countries) ("Pillar Two Model Rules"). Entities shall apply this temporary exception immediately and retrospectively upon issuance of the amendments and disclose the fact of the application.

Besides, the amendments also introduce additional disclosure requirements to help users of financial statements to understand an entity's exposure to income taxes arising from the Pillar Two Model Rules. These disclosure are required in periods in which the legislation for Pillar Two Model Rules is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The amendments have no impact on the consolidated financial statements because the Group does not fall into the scope of the Pillar Two Model Rules.

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.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKAS 21	Lack of Exchangeability[2]

[1] Effective for annual periods beginning on or after 1 January 2024
[2] Effective for annual periods beginning on or after 1 January 2025
[3] Effective date not yet determined

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. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments remove an acknowledged inconsistency between the requirements in HKFRS 10 "Consolidated Financial Statements" and those in HKAS 28 "Investments in Associates and Joint Ventures" in dealing with the sale or contribution of assets between an investor and its associate or joint venture and require that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The effective date of the amendments has been postponed indefinitely with earlier adoption permitted. The directors expect that the amendments have no material impact on the consolidated financial statements.

Amendments to HKFRS 16 Lease Liability in a Sale and Leaseback

The amendments specify that, in subsequent measurement of the lease liability arising from a sale and leaseback transaction (where the transaction qualifies as a sale under HKFRS 15), a seller-lessee determines "lease payments" and "revised lease payments" in a way that does not result in the recognition of a gain or loss that relates to the right of use it retains. It would reduce the lease liability as if the "lease payments" estimated at the date of transaction had been paid. Any difference between those lease payments and the amounts actually paid is recognised in profit or loss. The amendments do not prescribe a particular method of subsequent measurement. The seller-lessee will need to develop and apply an accounting policy that results in relevant and reliable information in accordance with HKAS 8.

The illustrative examples to HKFRS 16 have also been amended. Example 24 now illustrates a sale and leaseback transaction with fixed payments and above-market terms. A new Example 25 illustrates a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability, that arise from a sale and leaseback transaction that qualifies as a sale applying HKFRS 15, is a lease liability.

Amendments to HKFRS 16 are effective for annual reporting period beginning on or after 1 January 2024 and are applied by seller-lessee retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16. Earlier application is permitted. The directors of the Group expect that the amendments have no material impact on the consolidated financial statements.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5

The amendments provide further guidance to clarify how to classify debt and other liabilities as current or non-current which are summarised as follows:

- It clarifies that a liability is non-current if an entity has a right (instead of unconditional right as stated before the amendments) to defer settlement of the liability for at least twelve months from the end of the reporting period. This right has to be existed at the end of the reporting period, regardless of whether the lender tests for compliance at the date or at a later date;

- Any expectations about events after the reporting period do not impact the assessment made at the end of the reporting period as to the classification of the liability; and

- "Settlements" are newly defined as a transfer to the counterparty that results in the extinguishment of the liability. The transfer could be of cash, other economic resources (e.g. goods or services), or entity's own equity instruments. Thus, if the counterparty conversion option is classified as liability under HKAS 32 "Financial Instruments: Presentation", the transfer of equity instruments by exercising the conversion option constitute settlement of liability for the purpose of current or non-current classification of liabilities. One exception to the definition is that if the counterparty conversion option is classified as equity in accordance with HKAS 32, the transfer of equity instruments by exercising the conversion option does not constitute settlement of liability and would be disregarded when determining whether the liability is current or non-current.

2022 Amendments issued in 2022 clarified that only covenants of a liability arising from a loan arrangement, which an entity must comply with on or before the reporting date (even if the covenant is only assessed after the reporting date) affect the classification of that liability as current or non-current. Those covenants to be complied with after the reporting date do not affect such classification at the reporting date.

Besides, the 2022 Amendments required an entity to provide additional disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The 2022 Amendments also deferred the effective date of the 2020 Amendments to the annual reporting periods beginning on or after 1 January 2024, in which both amendments are to be applied as a package and apply retrospectively. Earlier application is permitted.

Based on the Group's outstanding liabilities as at 31 December 2023 the application of 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 7 and HKFRS 7 Supplier Finance Arrangements

The amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangement ("SFA") and require additional disclosures to enhance the transparency of SFAs and their effects on an entity's liabilities, cash flows and exposure to liquidity risk.

The additional disclosures required by the amendments complement the existing disclosures in HKAS 7 and HKFRS 7. They require entities to disclose:

- the terms and conditions of the arrangement;

- the amount of the liabilities that are part of the arrangement, breaking out the amounts for which the suppliers have already received payment from the finance providers, and stating where the liabilities are included on the statement of financial position;

- ranges of payment due dates; and

- liquidity risk information.

The amendments, with certain specific transition reliefs, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. The directors of the Group expect that the amendments have no material impact on the consolidated financial statements because the Group does not have SFA.

Amendments to HKAS 21 Lack of Exchangeability

The amendments to HKAS 21 clarify the approach that should be taken by entities when they are reporting foreign currency transactions, translating foreign operations, or presenting financial statements in a different currency, and there is a long-term lack of exchangeability between the relevant currencies.

The amendments:

a) introduce a definition of whether a currency is exchangeable and the process by which an entity should assess this exchangeability (i.e. a currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations); and

b) set out a framework under which an entity can determine the spot exchange rate at the measurement date (by an observable exchange rate without adjustment or another estimation technique) when a currency lacks exchangeability.

Besides, the amendments also require an entity to disclose the additional information when it estimates a spot exchange rate due to lack of exchangeability.

The amendments are effective for annual periods beginning on or after 1 January 2025. Earlier application is permitted. The directors of the Group expect that the amendments have no material impact on the consolidated financial statements.

3. Revenue

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

	2023	2022
	RMB'000	*RMB'000*
Manufacturing and selling of medicines	**576,679**	694,840
Sales and distribution of medicines and healthcare products	**488,182**	291,851
	1,064,861	986,691

For the year ended 31 December 2023, revenue included sales of medical devices of RMB210,674,000 (2022: RMB113,600,000).

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 two reportable segments.

(i) Manufacturing and selling of medicines; and

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

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

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

The sales and distribution of medicines and healthcare products segment derives its revenue from sales and distribution of medicines, healthcare products and medical devices.

(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 the expenses incurred by those segments except for corporate income and expenses which are not directly attributable to the business activities of any reportable segment. Inter-segment revenue are priced with reference to prices charged to external parties for similar orders.

	Manufacturing and selling of medicines		Sales and distribution of medicines and healthcare products		Total	
	2023	2022	**2023**	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue						
Revenue from external customers	**576,679**	694,840	**488,182**	291,851	**1,064,861**	986,691
Inter-segment revenue	**34,805**	29,932	**66,444**	35,113	**101,249**	65,045
Reportable segment revenue	**611,484**	724,772	**554,626**	326,964	**1,166,110**	1,051,736
Reportable segment profit	**4,930**	83,937	**33,489**	5,662	**38,419**	89,599
Write-down of inventories	**(7,960)**	(1,439)	**(317)**	(2,110)	**(8,277)**	(3,549)
Reversal of write-down of inventories	**–**	3,089	**9**	–	**9**	3,089
Net (impairment)/reversal of:						
– trade receivables	**(2,437)**	743	**(367)**	(3,586)	**(2,804)**	(2,843)
– other receivables	**(7)**	–	**(316)**	12	**(323)**	12
Bank interest income	**4,789**	6,256	**1,473**	215	**6,262**	6,471
Depreciation and amortisation of non-financial assets	**27,970**	(32,057)	**5,674**	(3,887)	**33,644**	(35,944)
Reversal of impairment of intangible assets	**16,201**	–	**–**	–	**16,201**	–
Impairment of goodwill	**(33,102)**	–	**–**	–	**(33,102)**	–
Loss on disposal/write-off property, plant and equipment	**(699)**	(2,610)	**(315)**	(28)	**(1,014)**	(2,638)
Finance costs	**(5,532)**	(6,957)	**(42)**	(75)	**(5,574)**	(7,032)
Reportable segment assets	**900,542**	1,059,172	**863,034**	657,586	**1,763,576**	1,716,758
Additions to non-current segment assets (other than deferred tax assets) during the year	**14,841**	20,614	**434**	5,097	**15,275**	25,711
Reportable segment liabilities	**440,314**	545,283	**278,028**	133,449	**718,342**	678,732

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenue for the years ended 31 December 2023 and 2022.

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

	2023	2022
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**1,166,110**	1,051,736
Elimination of inter-segment revenue	**(101,249)**	(65,045)
Consolidated revenue	**1,064,861**	986,691
Profit before taxation		
Reportable segment profit	**38,419**	89,599
Elimination of inter-segment profit	**(4,638)**	(4,361)
Reportable segment profit derived from the Group's external customers	**33,781**	85,238
Unallocated corporate expenses	**(3,107)**	(2,977)
Consolidated profit before taxation	**30,674**	82,261
Assets		
Reportable segment assets	**1,763,576**	1,716,758
Elimination of inter-segment receivables	**(351,506)**	(273,989)
	1,412,070	1,442,769
Deferred tax assets	**3,576**	5,461
Consolidated total assets	**1,415,646**	1,448,230
Liabilities		
Reportable segment liabilities	**718,342**	678,732
Elimination of inter-segment payables	**(351,506)**	(273,989)
	366,836	404,743
Current taxation	**3,703**	13,052
Deferred tax liabilities	**28,925**	25,131
Consolidated total liabilities	**399,464**	442,926

(c) Revenue from major products and services

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

	2023 *RMB'000*	2022 *RMB'000*
Sales of medicines and healthcare products	**854,187**	873,091
Sales of medical devices	**210,674**	113,600
	1,064,861	986,691

(d) Geographical information

The Group's revenue was derived from business activities in the PRC and the 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 customers:

2023	**Hospital** *RMB'000*	**Pharmacy** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Manufacturing and selling of medicines	**52,802**	**514,930**	**8,947**	**576,679**
Sales and distribution of medicines and healthcare products	**22,008**	**466,174**	**–**	**488,182**
	74,810	**981,104**	**8,947**	**1,064,861**

2022	Hospital *RMB'000*	Pharmacy *RMB'000*	Others *RMB'000*	Total *RMB'000*
Manufacturing and selling of medicines	68,349	621,307	5,184	694,840
Sales and distribution of medicines and healthcare products	–	291,851	–	291,851
	68,349	913,158	5,184	986,691

5. Other Revenue and Other Net Income

	2023	2022
	RMB'000	*RMB'000*
Other revenue		
Interest income from bank deposits	**6,262**	6,471
Licence fee income	**–**	7,547
Other net income		
Government subsidies:		
– released from deferred revenue	**401**	401
– directly recognised in profit or loss	**4,883**	5,383
Reversal of write-down of inventories	**9**	3,089
Net foreign exchange gains	**46**	24
Reversal of impairment of intangible assets	**16,201**	–
Others	**1,067**	1,127
	28,869	24,042

6. Profit before Taxation

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

	2023	2022
	RMB'000	*RMB'000*
(a) Finance costs		
Interest on bank loans, amount due to a non-controlling shareholder and other borrowings	**5,340**	6,375
Finance charges on lease liabilities	**234**	657
	5,574	7,032
(b) Staff costs (including directors' emoluments) (note)		
Contributions to defined contribution retirement plans	**21,100**	19,901
Salaries, wages and other benefits	**127,885**	131,367
	148,985	151,268

Note:

– Staff costs of RMB44,641,000, RMB38,274,000, RMB44,506,000 and RMB21,564,000* (2022: RMB47,107,000, RMB38,847,000, RMB45,445,000 and RMB19,869,000*) are included in cost of sales, selling and distribution expenses, administrative expenses and other operating expenses respectively.

– At 31 December 2023, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2022: RMB nil).

	2023	2022
	RMB'000	*RMB'000*
(c) Other items		
Depreciation of right-of-use assets	**5,337**	6,901
Amortisation of Intangible Assets*	**4,603**	4,751
Depreciation of property, plant and equipment	**23,704**	24,292
(Reversal of impairment of)/Impairment of:		
– trade receivables, net	**2,804**	2,843
– other receivables, net	**323**	(12)
Reversal of impairment loss of intangible assets	**(16,201)**	–
Loss on disposal/write-off of property, plant and equipment*	**1,014**	2,638
Impairment of goodwill*	**33,102**	–
Auditor's remuneration:		
– Audit services	**1,437**	1,331
– Non-audit services	**658**	650
Lease charges in respect of short term leases	**2,531**	42
Cost of inventories	**595,969**	442,902
Write-down of inventories*	**8,277**	3,549
Reversal of write-down of inventories	**(9)**	(3,089)
Research and development costs* (including salaries, wages and other benefits of RMB21,564,000 (2022: RMB19,869,000) in note 6(b))	**46,203**	28,723
Net foreign exchange gains	**(46)**	(24)

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

7. Income Tax Expense

	2023	2022
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax ("EIT")		
Current year	**10,469**	18,151
Deferred tax		
Current year	**5,679**	280
	16,148	18,431

Hong Kong Profits Tax has not been provided as the Group had no assessable profits subject to Hong Kong Profits Tax for the years ended 31 December 2023 and 2022.

During the year ended 31 December 2023, three (2022: 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, 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 the taxable profits for that year ("Super Deduction").Three (2022: Three) subsidiaries of the Group are eligible to such Super Deduction in ascertaining its assessable profits for the year ended 31 December 2023.

The Company and other PRC subsidiaries are subject to the PRC EIT at a rate of 25% (2022: 25%) for the year ended 31 December 2023.

8. Dividends

The directors do not propose the payment of any dividend for the year ended 31 December 2023 (2022: RMB 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 RMB24,127,000 (2022: RMB54,346,000) and the weighted average number of 1,678,000,000 (2022: 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

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**197,023**	177,007
Less: ECL allowance	**(22,771)**	(24,120)
	174,252	152,887
Bills receivables	**52,965**	52,134
	227,217	205,021
Amounts due from fellow subsidiaries	**41,899**	60,288
Amounts due from related companies	**2,481**	4,487
Amount due from immediate parent company	**5**	2
Amount due from an intermediate parent company	**251**	330
Other receivables	**20,398**	8,796
Value-added tax recoverable	**268**	–
Prepayment and deposits	**42,525**	64,869
Less: ECL allowance	**(2,090)**	(1,825)
	105,737	136,947
	332,954	341,968

Ageing analysis

Trade and bills receivables are due for payment within 30-180 days (2022: 30-180 days) from the date of billing. Based on the invoices dates (which approximate the respective revenue recognition dates), the ageing analysis of the trade and bills receivables net of ECL allowance, was as follows:

Trade receivables

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**110,314**	120,856
4 to 6 months	**37,152**	13,485
7 to 12 months	**15,700**	8,247
Over 1 year	**11,086**	10,299
	174,252	152,887

Bills receivables

	2023 *RMB'000*	2022 *RMB'000*
Within 3 months	**15,440**	17,582
4 to 6 months	**37,525**	34,301
7 to 12 months	**–**	251
	52,965	52,134

11. TRADE AND OTHER PAYABLES

	2023 *RMB'000*	2022 *RMB'000*
Trade payables	**149,223**	114,003
Other payables and accruals	**102,118**	125,191
Amounts due to fellow subsidiaries	**2,468**	4,935
Amounts due to immediate parent company	**800**	–
Amount due to an intermediate parent company	**442**	607
Amounts due to related companies	**5,476**	2,500
Amount due to a non-controlling shareholder	**–**	20,247
	260,527	267,483

All amounts are short term and hence the carrying amounts of the Group's trade and other payables are considered to be a reasonable approximation of fair value.

Based on the invoice dates, the ageing analysis of the trade payables was as follows:

	2023 *RMB'000*	2022 *RMB'000*
Within 3 months	**117,380**	53,404
4 to 6 months	**10,373**	16,090
7 to 12 months	**8,009**	31,125
Over 1 year	**13,461**	13,384
	149,223	114,003

12. Interest-bearing Borrowings

	2023	2022
	RMB'000	*RMB'000*
Non-current liabilities		
Other borrowings	**2,427**	2,909
Current liabilities		
Short-term bank loans	**82,105**	83,106
Other borrowings	**3,312**	1,922
	85,417	85,028
	87,844	87,937

As at 31 December 2022 and 2023, other borrowing with principal amount of RMB4,831,000 and RMB5,739,000 from a third party were secured by a pledge of the Group's furniture, fixtures and equipment with carrying amount RMB3,928,000 (2022: 1,822,000). The effective interest rate was 6.5% repayable as follows:

	2023	2022
	RMB'000	*RMB'000*
Carrying amount repayable		
Within one year	**3,312**	1,922
In the second year	**2,076**	1,922
In the third to fifth year	**351**	987
	5,739	4,831

As at 31 December 2023, the short-term bank loans were demominated in RMB, repayable within one year, further information were as follows:

(a) Bank borrowings of RMB57,070,000 were secured by a pledge of the Group's buildings with carrying amount RMB 24,099,000 and guarantee from the non-controlling shareholders of a subsidiary of the Group and subsidiaries of the Group. The effective interest rate was 3.55% to 4.35% per annum.

(b) Bank borrowings of RMB19,028,000 were guaranteed by a guarantee from non-controlling shareholders of a subsidiary and a subsidiary of the Group. The effective interest rate was 4.10% to 5.50% per annum.

(c) Bank borrowings of RMB6,007,000 was unsecured. The effective interest rate was 4.1% per annum.

As at 31 December 2022, the interest-bearing borrowings were demominated in RMB, repayable within one year, further details were as follows:

(a) Bank borrowings of RMB20,023,000 were secured by a pledge of the Group's buildings with carrying amount RMB24,387,000. The effective interest rate was 3.7% per annum.

(b) Bank borrowings of RMB37,047,000 was guaranteed by a guarantee from a non-controlling shareholder of a subsidiary and a pledge of the Group's with carrying amount RMB24,387,000. The effective interest rate was 4.05% to 4.35% per annum.

(c) Bank borrowings of RMB5,007,000 was guaranteed by a guarantee from a non-controlling shareholder of a subsidiary. The effective interest rate was 5% per annum.

(d) Bank borrowings of RMB15,021,000 were guaranteed by a guarantee from a non-controlling shareholder of a subsidiary and a subsidiary of the Group. The effective interest rate was 4.8% to 5% per annum.

(e) Bank borrowings of RMB6,008,000 was unsecured. The effective interest rate was 4.5% per annum.

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

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

The Group has two pharmaceutical production bases, which are respectively located in Jin'an District, Fuzhou, Fujian Province, the PRC ("Fuzhou Production Base") and Miyun Economic Development Zone, Beijing City, the PRC ("Beijing Production Base"). The Fuzhou Production Base possesses 366 Guo Yao Zhun Zi approval documents for Chinese medicines (including more than a dozen of dosage forms such as tablets, capsules, granules, oral solutions and tinctures) and chemical medicines (which include various dosage forms namely tablets, capsules, granules, small volume injections and large volume injections) in total, of which 235 varieties are included in the "Catalogue of Drugs for Basic National Medical Insurance" (國家基本醫療保險藥品目錄), and 146 products are included in the "National Essential Drug List" (國家基本藥品目錄). In addition, the Fuzhou Production Base is the only narcotic 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", 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 35 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), which evaluation has been completed and are still pending approval, and Benzhexol Hydrochloride Tablets (鹽酸苯海索片) and Vitamin B1 Tablets (維生素B1片) have completed the consistency evaluation and process validation. In the aspect of research and development of new medicines, Doxofylline Injection (多索茶碱注射液), which was commissioned by the Company's pharmaceutical subsidiary, and Concentrated Sodium Potassium Magnesium Calcium Injection (鈉鎂鉀鈣注射用濃溶液) have both obtained approval. Both generic Sildenafil Citrate Orodispersible Tablets(枸櫞酸西地那非口崩片), a self-developed variety, and generic Sodium Bicarbonate Ringer's Injection(碳酸氫鈉林格注射液), a holder variety, have received notification of additional studies from the Drug Evaluation Center, and are expected to receive manufacturing approval in 2024. 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 替吉奥片, a drug for anti-gastric cancer), Xiaozheng Yigan Tablets (消症益肝片, an anti-liver-cancer drug), Proteoglycan Tablets (多糖蛋白片, for enhancing the immune system), Biyuan Capsules (鼻淵膠囊, an anti-rhinitis medicine), Amaranth Berberine Capsules (莧菜黃連素膠囊, a drug for acute diarrhea), Disodium Glycyrrhizinate (甘草酸二鈉, a drug for anti-inflammatory and liver protection), Spironolactone Tablets (螺內酯片, a drug for auxiliary diuresis), Ligustrazine Phosphate Tablets (磷酸川芎嗪片, a drug for ischemic cerebrovascular disease), Pre-filled Catheter Flusher (預充式導管沖洗器, a Class III medical device) and HTK Myocardial Protection Cardioplegic Solution (HTK 心肌保護停跳液, a Class III medical device).

During the Year, 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 and increase the share of products in the province's medical institutions; while outside the province, the Group utilized the national market resources and customer resources of Neptunus Headquarters, and give 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 alliance band purchasing of the expiring varieties of the national collection and procurement 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, omni-channel 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 advantageous products' share in the medical institutions. Among the subsidiaries, Neptunus Fuyao insisted on solid focus as the foundation, and continued to steadily improve its operating results by expanding the market through multiple channels and cultivating new growth points in product sales under the premise of implementing key work in the areas of quality, safety and standardization; while Neptunus Jinxiang continued to focus on the production of fine Chinese medicines, implementing the philosophy of "safeguarding the integrity of inheritance, securing and innovative, and producing fine Chinese medicines", and actively upgrading product positioning. 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 faced by the domestic chemical raw materials pharmaceuticals and the tremendous challenges brought about during the Reporting Period, and promptly followed the industry policies and the market changes by means of expanding production capacity, increasing products, strictly enforcing 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. During the year, sales of Neptunus Zhongxin existing products were sluggish and the introduction of new products by the Group was delayed as compared to the original plan, as a result of which Neptunus Zhongxin remained in a loss-making position. In accordance with the results of the impairment test, the Group has impaired the goodwill related to the merge and acquisition of Neptunus Zhongxin. In 2024, Neptunus Zhongxin intends to carry out operational adjustment programs such as transformation of marketing model, change of organizational structure, conversion of remuneration model and staffing, and deepening development of target markets, as well as optimize pricing, channel and competition strategies of products, intensify its efforts in budgets control, paybacks focus, receivables reduction, and winning bids, and strive 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 large and medium-sized chain pharmacies.

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

Starting from 2022, 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 Year, Fuyao Medical has significantly improved its performance by distributing products such as microcatheters, which are peripheral vascular medical consumables. In 2024, 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.

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

Environmental, Social and Governance

The Group has been placing 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, increased the output corresponding to unit carbon emission, the pollution and the emission of hazardous substances which are in violation of laws and regulations were banned, and old equipment was replaced to reduce energy consumption and enhance production efficiency. Regarding office management, office supplies and energy consumption were conserved. Also, the Group actively improves the working environment by transforming into a paperless office and is committed to social responsibility by taking part in charitable activities.

During the Year, the Company engaged a professional third-party institution to assist in conducting comprehensive communication (from various dimensions) with stakeholders by way of face-to-face communication, telephone interviews, questionnaires and surveys. The relevant results not only serve as an important reference for the Company to review and promote the sustainability agenda of the Group, but also provide a powerful basis for the content selection and preparation of our environmental, social and governance report. The environmental, social and governance report prepared by the Company pursuant to Appendix C2 of the GEM Listing Rules will be published at the same time as the publication of the 2023 Annual Report.

PROSPECTS AND OUTLOOK

The Group continuously adjust and improve development strategies in accordance with the innovation trend of the pharmaceutical industry and its own characteristics, to gradually utilise the collaboration advantage of the industry structure and business structure of the Neptunus Headquarters, committing to the development of traditional Chinese medicine prescriptions and enhance the internal value of the brands to cultivate star products under the key elements of stabilised quality, safety and regulation. In addition, the Group will continue to strengthen the promotion of food supplements by the marketing model of combination of various sales channels, to drive the sales increase of key food supplement products. At the same time, the Group proactively introduced the commissioned production of external varieties to supplement operating results and protect against undesirable risks. We believe that through the overall layout of the Group, the research and development of new drugs can progress in stable and development of various businesses shall be long-lasting.

FINANCIAL REVIEW

The Group's total revenue for the Year was approximately RMB1,064,861,000 (2022: approximately RMB986,691,000), representing an increase of approximately 7.92% as compared with the corresponding period of last year. In relation to the revenue, approximately RMB576,679,000, which accounted for approximately 54.16% of the Group's total revenue, was derived from the manufacturing and selling of medicines and healthcare products segment, while approximately RMB488,182,000, which accounted for approximately 45.84% 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 gross profit margin was approximately 42% (2022: approximately 45%), representing a decrease of approximately 3% as compared with the corresponding period of last year, which mainly accounted for the greater drop in the sales proportion of high gross profit products in hospital segment.

The Group's gross profit during the Year was approximately RMB447,511,000 (2022: approximately RMB444,142,000), representing an increase of approximately 0.76% as compared with the corresponding period of last year. The increase in gross profit was mainly attributable to the increase in the overall revenue of the Group.

During the Year, the Group's selling and distribution expenses were approximately RMB252,826,000 (2022: approximately RMB244,231,000), representing an increase of approximately 3.52% from the corresponding period of last year. The increase in selling and distribution expenses was mainly due to the corresponding increase in selling and distribution expenses with the increase in general revenue of the Group.

The Group's administrative expenses for the Year were approximately RMB90,433,000 (2022: approximately RMB93,733,000), representing a decrease of approximately 3.52% from the corresponding period of last year. The decrease in administrative expenses was mainly attributable to the decrease in staff costs and the decrease of legal fee and rental fee.

During the Year, the Group's other operating expenses (including impairment losses on trade and other receivables, net) amounted to approximately RMB96,873,000 (2022: approximately RMB40,927,000), representing an increase of approximately 136.70% as compared with the corresponding period of last year. The increase in other operating expenses was mainly attributed to the RMB33,102,000 related to impairment of goodwill of Neptunus Zhongxin and the increase of approximately RMB17,480,000 in research and development fee.

The Group's finance costs for the Year amounted to approximately RMB5,574,000 (2022: approximately RMB7,032,000), representing a decrease of approximately 20.73% as compared with the corresponding period of last year. The decrease in finance costs was mainly due to the decrease in interest expenses incurred from the banking loans of Neptunus Zhongxin.

For the reasons above, the Group's profit after tax decreased from approximately RMB63,830,000 for the corresponding period of last year to approximately RMB14,526,000 for the Year, representing a decrease of approximately 77.24%. Profit attributable to the owners of the Company decreased from approximately RMB54,346,000 for the corresponding period of last year to approximately RMB24,127,000 for the Year, representing a decrease of approximately 55.60%.

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 2023, the Group had short-term bank borrowings of RMB82,105,000. For details of banking facilities, please refer to note 12 of this announcement.

NET CURRENT ASSETS

As at 31 December 2023, the Group had net current assets of approximately RMB554,404,000. Current assets comprised bank balances and cash of approximately RMB372,206,000, short-term bank deposits of approximately RMB10,000,000, inventories of approximately RMB205,424,000 and trade and other receivables of approximately RMB332,954,000. Current liabilities comprised trade and other payables of approximately RMB260,527,000, current taxation of approximately RMB3,703,000, contract liabilities of approximately RMB16,034,000, lease liabilities of approximately RMB499,000, interest bearing borrowings of approximately RMB85,417,000. The net current assets increased approximately by RMB72,038,000 as compared with that of approximately RMB482,366,000 as at 31 December 2022. The increase in net current assets as compared to that on 31 December 2022 was mainly due to the fact that bank balances and cash increased by approximately RMB82,108,000, short-term bank deposits decreased by RMB50,000,000 and contract liabilities decreased by approximately RMB27,544,000.

PLEDGE OF ASSETS

As at 31 December 2023, the utilized banking facilities of RMB57,070,000 and the available banking facilities of RMBnil of the Group were secured by pledge of its buildings and the pledged buildings were stated at an aggregate value of approximately RMB24,099,000.

At 31 December 2023, the Group's furnitures, fixtures and equipment with a carrying amount of RMB3,928,000 (2022: RMB1,822,000) were pledged to secure the Group's other borrowings.

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 2023, the Group's cash and cash equivalents were mainly denominated in RMB. As such, the foreign currency risk facing the Group is limited. Currently, the Group has not adopted any financial instrument for hedging purposes.

GEARING RATIO

As at 31 December 2023, the gearing ratio of the Group, calculated by dividing the total liabilities by total equity and multiplied by 100%, was approximately 39.31% (2022: 44.06%).

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.

SIGNIFICANT INVESTMENT HELD

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

CAPITAL STRUCTURE

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

CAPITAL COMMITMENTS

As at 31 December 2023, the Group has contracted commitments for future capital expenditure of approximately RMB734,000. The Board believes that such capital expenditure can be financed by the Group's bank deposits and bank borrowings.

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 Year.

CONTINGENT LIABILITY

As at 31 December 2023, the Group had no significant contingent liability.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at the date of this announcement, the Group does not have any plan for material investments or purchase of capital assets.

HUMAN RESOURCES

As at 31 December 2023, the Group employed a total of 1,444 staff (2022: 1,458).

During the Year, the staff costs including directors' remuneration which amounted to approximately RMB148,985,000 (2022: approximately RMB151,268,000). 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 2022, 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.

DIVIDEND

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

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company had no distributable reserves and no accumulated loss calculated in accordance with the Company's articles of association and relevant rules and regulations.

CAPITALIZED INTEREST

The Group has no capitalized interest during the Year.

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, SALE 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 2023, 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	Number 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%
Ms. Yu Lin *(Note (b))*	Beneficial owner	Personal	Neptunus Bio-engineering	900,000	0.03%
Mr. Zhang Xiao Guang *(Note (c))*	Beneficial owner	Personal	Neptunus Bio-engineering	430,000	0.02%
Ms. Cao Yang *(Note (d))*	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 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 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.

(c) Mr. Zhang Xiao Guang, executive director of the Company, 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 31 December 2023, 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 2023, the interests and/or short positions held by shareholders (not being a Director, a supervisor or a chief executive of the Company) in shares or underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified to the Company were as follows:

Long positions in the shares of the Company:

Substantial Shareholder	Capacity	Number of domestic shares held	Approximate percentage of all the domestic shares	Approximate percentage of the Company's issued share capital
Neptunus Bio-engineering *(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, and Neptunus Oriental was interested in the 52,464,500 domestic shares of the Company. 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 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 2023.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

EVENTS AFTER THE REPORTING PERIOD

No significant subsequent events affecting the Group have occurred since the end of the Year up to the date of this announcement.

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 preferential rights of investments in such new investment projects.

Neptunus Bio-engineering has confirmed with the Company that it has complied with the Non-Competition 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 the then applicable Appendix C1 "Corporate Governance Code" 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 audited consolidated financial statements of the Group for the Year have been reviewed by the audit committee of the Company (the "Audit Committee") together with the management and the Group's auditor, Grant Thornton Hong Kong Limited (the "Auditor"). The Audit Committee is satisfied that such statements comply with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures had been made.

The figures in this announcement of the Group's results for the Year have been agreed by 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 opinion or assurance conclusion has been expressed by the Auditor on this announcement.

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

Shenzhen, the PRC, 27 March 2024

* *For identification purpose only*

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.

This announcement will remain on the "LATEST LISTED COMPANY INFORMATION" 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.