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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)

**CONTINUING CONNECTED TRANSACTION
IN RELATION TO A DISTRIBUTION AGREEMENT**

DISTRIBUTION AGREEMENT

The Board is pleased to announce that Neptunus Changjian, a wholly-owned subsidiary of the Company, entered into the Distribution Agreement with Neptunus Research, a connected person of the Company on 22 July 2022 (after trading hours), pursuant to which Neptunus Changjian will purchase various pharmaceutical products from Neptunus Research for distribution in the PRC for the period from the Effective Date to 31 December 2024 (both days inclusive).

IMPLICATIONS OF THE GEM LISTING RULES

As at the date of this announcement, Neptunus Research is an 100%-owned subsidiary of Neptunus Bio-engineering and therefore an associate of Neptunus Bio-engineering by virtue of Rule 20.11 of the GEM Listing Rules. Neptunus Bio-engineering is the controlling shareholder of the Company under the GEM Listing Rules, being directly and indirectly interested in approximately 73.51% of the entire share capital of the Company. Therefore, Neptunus Research is a connected person of the Company under the Rule 20.07(4) of the GEM Listing Rules. Accordingly, the Proposed CCTs contemplated under the Distribution Agreement constitute connected transactions for the Company as defined under Chapter 20 of the GEM Listing Rules.

As all of the applicable percentage ratios calculated with reference to the highest Proposed Purchase Cap are more than 0.1% but less than 5%, the Distribution Agreement will be subject to reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

DISTRBUTION AGREEMENT

The Board is pleased to announce that Neptunus Changjian, a wholly-owned subsidiary of the Company, entered into the Distribution Agreement with Neptunus Research, a connected person of the Company on 22 July 2022 (after trading hours), pursuant to which Neptunus Changjian agreed to purchase various pharmaceutical products from Neptunus Research for distribution in the PRC from the Effective Date (as defined below) to 31 December 2024 (both days inclusive).

The details of the Distribution Agreement are as follows:

Date

22 July 2022 (after trading hours)

Parties

- (1) 深圳海王長健醫藥有限公司 (Shenzhen Neptunus Changjian Pharmaceutical Company Limited*), a wholly-owned subsidiary of the Company; and
- (2) 深圳海王醫藥科技研究院有限公司 (Shenzhen Neptunus Pharmaceutical Research Institute Company Limited*), a connected person of the Company.

Subject matter

Pursuant to the Distribution Agreement, among other things, Neptunus Changjian will purchase various pharmaceutical products from Neptunus Research and distribute such products within the PRC.

Term

The term of the Distribution Agreement is from the Effective Date to 31 December 2024 (both days inclusive).

The Distribution Agreement will become effective on the date (the “Effective Date”) upon:

- (i) the approval of the Distribution Agreement by the Board; and
- (ii) all applicable law, regulation and obligation imposed by the relevant statutory or governmental bodies having been complied with, and all necessary consents from the relevant statutory or governmental bodies having been obtained or waived.

The Distribution Agreement is expected to become effective on 22 July 2022.

Pricing of the products sold under the Distribution Agreement

Pursuant to the Distribution Agreement, the unit prices of the pharmaceutical products to be provided by Neptunus Research to Neptunus Changjian shall be agreed between the parties on arm's length basis through negotiations with reference to the then prevailing market prices of similar products (if applicable). Further, such unit prices of the pharmaceutical products shall not be higher than the unit prices of similar products obtained from other independent suppliers by Neptunus Changjian.

For the internal control measures implemented by the Company to ensure that the terms of the Distribution Agreement are no less favourable to the Group than the terms available from independent third parties, please refer to the section headed "Internal Control Measures" in this announcement.

The consideration of the pharmaceutical products purchased by Neptunus Changjian shall be settled within sixty (60) days after the date of delivery of the pharmaceutical products and the invoice should be issued within 30 days after the date of delivery of the pharmaceutical products. All the terms of the Distribution Agreement are arrived at after arm's length negotiations between Neptunus Changjian and Neptunus Research.

Annual caps

The Proposed Purchase Caps for each of the years ending 31 December 2022, 2023 and 2024 are RMB10,000,000 (approximately HK\$11,494,253), RMB11,000,000 (approximately HK\$12,643,678) and RMB12,100,000 (approximately HK\$13,908,046), respectively.

In arriving at the Proposed Purchases Cap, the Directors (including the independent non-executive Directors) have taken into account the expected annual growth rate of the demand for purchasing the pharmaceutical products under the Distribution Agreement to be approximately 10%.

Based on the Proposed Purchase Caps set out above, the Directors (including the independent non-executive Directors) are of the view that the Proposed Purchase Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. If the Proposed Purchase Caps are exceeded in the relevant period, the Company will re-comply with the requirements under Chapter 20 of the GEM Listing Rules.

INTERNAL CONTROL MEASURES

In order to (i) ensure that the terms of the Distribution Agreement are no less favourable to the Group than the terms available from independent suppliers; and (ii) protect the interests of the Company and its Shareholders as a whole, the Company will adopt the following internal control measures regarding the Proposed CCTs:

- (a) the prices of the products offered by Neptunus Research would be determined through negotiations on arm's length basis with reference to the prevailing market prices of similar products agreed by both parties after arm's length negotiation. In order to obtain the prevailing market price, relevant

departments of the Group will obtain quotes from at least two independent suppliers which are as established as, and of similar scale with Neptunus Research on a quarterly basis for similar products;

- (b) if at any time the relevant departments of the Group find out that in respect of a transaction, the price of a product offered by Neptunus Research is higher than that offered by other independent suppliers and/or the terms of a product offered by Neptunus Research are less favourable than those offered by other independent suppliers, such findings shall be reported to the general manager of the Company or the relevant subsidiary of the Group for review. The relevant general manager shall then discuss with one of the Directors (excluding the Directors who have a material interest in the relevant transaction) to evaluate whether the Group should continue to purchase such product from Neptunus Research or amend the relevant terms, with reference to factors such as the corporate background of such supplier, its reputation and reliability, and its ability to conduct the transaction in accordance with the terms of the agreement provided by it;
- (c) the Group would monitor the Proposed CCTs in accordance with the internal control policies. The relevant department of the Group would review regularly whether the Proposed CCTs is implemented in accordance with the terms of the Distribution Agreement. Shall there be any material change in the market price of the products, the parties shall negotiate to adjust the pricing policies to ensure the fairness and reasonableness of the pricing policies;
- (d) the Group's finance department would collect the data of the Proposed CCTs to ensure that the Proposed Purchase Caps are not exceeded;
- (e) the Group will engage the auditors to conduct an annual review of the Proposed CCTs to opine whether the Proposed Purchase Caps have been exceeded;
- (f) the Company's audit committee would review the implementation of the Proposed CCTs and review the report in relation to the Proposed CCTs prepared by the management of the Group, in order to evaluate comprehensiveness and effectiveness of the Group's internal control measures on Proposed CCTs; and
- (g) the independent non-executive Directors would review the implementation of the Proposed CCTs annually.

Taking into accounts that: (i) the above methods and procedures comprise the necessary components of an internal control systems and detailed and explicit assessment criteria; and (ii) the above review procedures and approval process against the detailed assessment criteria can ensure that the transactions will be executed in compliance with the pricing principles stipulated in the Distribution Agreement, the Directors consider that the above methods and procedures can ensure that the Proposed CCTs will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE DISTRIBUTION AGREEMENT

Neptunus Research is a joint, open and international research and development platform of the Neptunus group. It is also an entrepreneurial platform that can incubate certain projects, carrying out research and development for promising pharmaceutical projects. On one hand, Neptunus Research closely follows the latest world's biotechnology developments, strengthens development of new drugs with self-owned intellectual property rights, achieves fruitful results in new drug research and development in anti-tumor, cardiovascular and cerebrovascular fields, and achieves major breakthroughs in first-class new drugs; on the other hand, it provides technical support for generic drug quality consistency evaluation, builds a high-level one-stop technical service platform for generic drug consistency evaluation, and promotes the development and market transformation of high-end generic drugs.

The Board considers that the entering into of the Distribution Agreement will (i) increase the number of products and categories distributed by the Neptunus Changjian, thus strengthening its connections with distributors and retailers, and (ii) bring to the Group higher operating revenues by the distribution and sale of pharmaceutical products which are expected to have a positive impact on the profitability of the Group.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, save and except that (i) Mr. Zhang Feng, the chairman and executive Director of the Company, who is the chairman of the board of directors of Neptunus Research and the president and vice-chairman of the board of directors of Neptunus Bio-engineering, (ii) Ms. Yu Lin, the non-executive Director of the Company, who is also a director of Neptunus Research, (iii), Mr. Shen Da Kai, the non-executive Director of the Company, who is also director of Neptunus Research and a director and the general vice-president of Neptunus Bio-engineering, and (iv) Mr. Zhang Yi Fei and (v) Mr. Jin Rui, who are both vice-presidents of Neptunus Bio-engineering, no Director has a material interest in the transactions contemplated under the Distribution Agreement. In this connection, Mr. Zhang Feng, Ms. Yu Lin, Mr. Shen Da Kai, Mr. Zhang Yi Fei and Mr. Jin Rui had abstained from voting on the Board resolutions in accordance with the articles of association of the Company. Having considered the above, the Directors (including the independent non-executive Directors) take the view that the Distribution Agreement has been: (i) entered into in the Group's ordinary and usual course of business; and (ii) on normal commercial terms determined on an arm's length basis and on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE GROUP, NEPTUNUS CHANGJIAN AND NEPTUNUS RESEARCH

The Group is 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 and digestive system.

Neptunus Changjian is a limited liability company established under the laws of the PRC and is a wholly-owned subsidiary of the Company. Neptunus Changjian is principally engaged in the business of sales and distribution of drugs, health supplements and food.

Neptunus Research is a limited liability company established under the laws of the PRC, and is directly held as to 80% by the Neptunus Bio-engineering. Neptunus Research is principally engaged in the research and development of pharmaceutical products.

IMPLICATIONS OF THE GEM LISTING RULES

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DEFINITIONS

In this announcement, the following terms have the same meanings as set out below:

“Board”	the board of Directors;
“Company”	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 company incorporated in the PRC, whose H shares are listed on the GEM;
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules;
“controlling shareholder”	has the meaning ascribed thereto under the GEM Listing Rules;
“Director(s)”	the director(s) of the Company;
“Distribution Agreement”	the distribution agreement entered into between Neptunus Changjian and Neptunus Research on 22 July 2022 relating to the purchase of various pharmaceutical products from Neptunus Research for distribution in the PRC;
“GEM”	the GEM operated by the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;

“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Neptunus Bio-engineering”	深圳市海王生物工程股份有限公司 (Shenzhen Neptunus Bio-engineering Company Limited*), a joint stock limited company established under the laws of the PRC whose shares are listed on the Shenzhen Stock Exchange and the controlling shareholder of the Company;
“Neptunus Changjian”	深圳海王長健醫藥有限公司 (Shenzhen Neptunus Changjian Pharmaceutical Company Limited*), a limited liability company established under the laws of the PRC which is wholly-owned by the Company;
“Neptunus Research”	深圳海王醫藥科技研究院有限公司 (Shenzhen Neptunus Pharmaceutical Research Institute Company Limited*), a limited liability company established under the laws of the PRC, and is held as to 100% by the Neptunus Bio-engineering;
“percentage ratio(s)”	has the meaning ascribed thereto under the GEM Listing Rules;
“PRC”	the People’s Republic of China, which for the purposes of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan;
“Proposed CCTs”	the continuing connected transactions under the Distribution Agreement;
“Proposed Purchase Caps”	each of, or collectively, the Proposed 2022 Purchase Cap, the Proposed 2023 Purchase Cap and the Proposed 2024 Purchase Cap;
“Proposed 2022 Purchase Cap”	the estimated maximum aggregate purchase amount under the Distribution Agreement for the period from 1 January 2022 to 31 December 2022;
“Proposed 2023 Purchase Cap”	the estimated maximum aggregate purchase amount under the Distribution Agreement for the period from 1 January 2023 to 31 December 2023;
“Proposed 2024 Purchase Cap”	the estimated maximum aggregate purchase amount under the Distribution Agreement for the period from 1 January 2024 to 31 December 2024;

“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholders”	the holders of the ordinary shares of RMB0.1 each of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

Translation of RMB into HK\$ in this announcement is based on the exchange rate of HK\$1 = RMB 0.87. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted at such or any other rates or at all.

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

Shenzhen, the PRC, 22 July 2022

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. 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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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.

* For identification purpose only