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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)**

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

Reference is made to the announcement of the Company dated 22 July 2022 (the “**Announcement**”), in relation to, among others, the Distribution Agreement entered into between Neptunus Changjian, a wholly-owned subsidiary of the Company, and Neptunus Research, a connected person of the Company, pursuant to which Neptunus Changjian agreed to purchase various pharmaceutical products from Neptunus Research for distribution in the PRC. Unless otherwise stated herein, capitalised terms used in this supplemental announcement (the “**Supplemental Announcement**”) shall have the same meaning as defined in the Announcement.

The Company wishes to inform the shareholders of the Company and potential investors the following additional information relating to (1) the pricing policies of the pharmaceutical products sold under the Distribution Agreement and internal control procedures of the Company to ensure the price of products procured under the Distribution Agreement would be not less favourable to the Group than that available from independent suppliers on a timely basis; (2) the basis of the Proposed Purchase Caps; and (3) details of the transaction amounts of procurements of products by the Group from Neptunus Research prior to entering into the Distribution Agreement.

## **Additional information in relation the pricing policies of the pharmaceutical products and internal control measures**

As disclosed in the Announcement, the pricing of products under the Distribution Agreement would make reference to the then prevailing market prices of similar products (if applicable). It is currently expected that there will be similar products on the market in respect of the various pharmaceutical products to be purchased by the Group from Neptunus Research for distribution. However, if the Group can no longer find similar products on the market or if the Group intends to purchase new type of pharmaceutical products from Neptunus Research where there are no similar products on the market, the Group would adopt the following pricing policies:

- (i) where Neptunus Research supplies the relevant products to the Group non-exclusively, the purchase prices of the products offered to the Group shall not be higher than the purchase prices of similar products in similar quantities offered by the Neptunus Research to other independent customers. Neptunus Research has agreed that during the term of the Distribution Agreement, if it supplies the relevant products to other independent customers, it will provide the Group with information including the sales area, unit price of product(s) and quantities of product(s) sold on a monthly basis (unless there are no such sales to other independent customers during that month). The Group reviews whether such purchase price offered to the Group is lower than or same as the purchase prices offered to other customers of Neptunus Research on a quarterly basis, which is consistent with the Group's practice in obtaining prevailing market price of a product if there are similar products on market. In the event that during a particular review period, Neptunus Research has made no sales of such product to other independent customers in the preceding quarter, the pricing policy in paragraph (ii) below shall apply; and
- (ii) where Neptunus Research supplies the relevant products to the Group exclusively, the purchase prices of Neptunus Research offered to the Group shall not be higher than the purchase prices set by the Group. Such purchase prices set by the Group would be determined with reference to the Group's distribution prices of similar products (i.e. products with similar ingredients and therapeutic effects) offered to its independent customers and its historical gross profit margin of such similar products. The Group will engage its deputy general manager of marketing and the chief financial officer to assess which are the similar products suitable for pricing reference as and when required.

It was also disclosed in the Announcement that one of the internal control measures adopted by the Company is to have the relevant departments of the Group to 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 in order to obtain the prevailing market price of the relevant products. As disclosed above, the Group also reviews the price of product (with no available market price) offered by Neptunus Research on a quarterly basis. The Company would like to supplement that it is the Company's practice to conduct the procedures of obtaining quotations from independent suppliers on a quarterly basis and to review purchase price of products supplied to the Group on a quarterly basis, which is in line with the frequency of the Company's publication of financial reports. These quotes obtained from independent suppliers are usually applicable for purchase made within 30 days from the date of the quotes. Moreover, based on the Company's experience, suppliers generally sign agreements with agents on an annual basis and agree upon prices of the pharmaceutical products once a year, hence

unless the supply of upstream raw material fluctuates significantly which leads to an adjustment to such agreed annual price changes, the market price or the purchase price of pharmaceutical products generally does not fluctuate too much and the Company has not seen substantial price fluctuation within a quarter in the past. Hence, the Company considers that by obtaining quotations from independent suppliers or to review purchase price of products supplied to the Group on a quarterly basis, it is effective to ensure the price of products procured under the Distribution Agreement would be not less favourable to the Group than that available from independent suppliers.

### **Basis of the Proposed Purchase Caps**

The Company would also like to provide further information in relation to the basis of determining the Proposed Purchase Caps and in particular, the Proposed 2022 Purchase Cap given that more than half of the financial year ending 31 December 2022 (“FY 2022”) has been lapsed.

As this is a new distribution agreement involving new types of pharmaceutical products for distribution, during the initial phase of the Distribution Agreement, i.e. the remainder of FY2022, Neptunus Changjian, and its downstream distributors, retail pharmacies and other retail terminals are expected to stock up in the beginning and hence the Group expects to make more purchases during this initial stage of the Distribution Agreement. Generally, the amount of products to be purchased by the Group and its downstream distributors and retailers in the first few months of distribution of new products would be higher, as they would wish to be able to meet their inventory needs for about one to three months and would prefer to maintain a higher inventory level in this initial stage of distribution. Considering these factors, the Group expects that the estimated purchase amount under the Distribution Agreement in the initial phase of this Agreement (i.e. the first half year) would be substantially higher than in later phases. Hence, the Company considers that the Proposed 2022 Purchase Cap represented the expected procurement amount for the remaining period of FY2022.

Following the initial phase of the Distribution Agreement (i.e. starting from the beginning of 2023), Neptunus Changjian and its downstream distributors and retailers would generally have less need to make more purchase to reach such inventory level compared to the initial stage of distribution, as it is anticipated that by such time each of the downstream distributors and retailers would have their own varying sales performance of the new products and would formulate their corresponding sales strategies, and hence would have varying inventory needs to meet the varying customers demands for the new products, and some of the distributors and retailers would not be expected to order in such large quantities as they do in the initial stage. Accordingly, it is expected that purchases from distributors and retailers for the new products would be more evenly distributed throughout each of the financial years ending 31 December 2023 and 31 December 2024, as opposed to being focused and concentrated at the initial phase of the Distribution Agreement (i.e. the remainder of FY2022). The Company has thus taken into account of this when determining the Proposed 2023 Purchase Cap and Proposed 2024 Purchase Cap and considers the Proposed Purchase Caps are fair and reasonable.

## **Details of the transaction amounts of procurements of products by the Group from Neptunus Research prior to entering into the Distribution Agreement**

Prior to the entering into the Distribution Agreement, there were procurements of products by the Group from Neptunus Research since 1 June 2022 and up to the date of the Announcement. The total procurement amount (inclusive of VAT) during such period was approximately RMB1,690,000. As all the percentage ratios (other than the profits ratio) in respect of the procurement of pharmaceutical products from Neptunus Research prior to the entering into of the Distribution Agreement are less than 5% and the total procurement amount is less than HK\$3,000,000, such procurement prior to the entering into of the Distribution Agreement is fully exempt under Rule 20.74(1)(c) of the Listing Rules.

*Translation of RMB into HK\$ in this announcement is based on the exchange rate of HK\$1 = RMB0.87. 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, 24 August 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](http://www.hkgem.com) for at least 7 days from its date of publication and on the Company’s website at [www.interlong.com](http://www.interlong.com).*

\* For identification purpose only