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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 THE
2024 FRAMEWORK AGREEMENT**

THE 2024 FRAMEWORK AGREEMENT

The Board is pleased to announce that the Company entered into the 2024 Framework Agreement with Neptunus Bio-engineering, the controlling shareholder of the Company and a connected person of the Company on 7 May 2024 (after trading hours), pursuant to which the Group will purchase medical devices from the Neptunus Group for distribution within the PRC for the period from the Effective Date to 31 December 2026 (both days inclusive).

IMPLICATIONS OF THE GEM LISTING RULES

As at the date of this announcement, 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 Bio-engineering is a connected person of the Company under Rule 20.07 of the GEM Listing Rules. Accordingly, the 2024 Framework Agreement constitutes a continuing connected transaction for the Company as defined under Rule 20.29 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 2024 Framework 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.

THE 2024 Framework Agreement

On 7 May 2024 (after trading hours), the Company has entered into the 2024 Framework Agreement with Neptunus Bio-engineering, a connected person of the Company, pursuant to which the Group will purchase medical devices from the Neptunus Group for distribution within the PRC.

The details of the 2024 Framework Agreement are as follows:

Date

7 May 2024 (after trading hours)

Parties

- (1) The Company; and
- (2) Neptunus Bio-engineering.

Subject matter

Pursuant to the 2024 Framework Agreement, among other things, the Group will purchase medical devices from Neptunus Group for distribution within the PRC.

Term

The term of the 2024 Framework Agreement is from 7 May 2024 to 31 December 2026 (both days inclusive), subject to the fulfilment of the conditions precedent.

Conditions Precedent

The 2024 Framework Agreement will become effective on the date (the “Effective Date”) upon:

- (i) the approval of the 2024 Framework 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.

As at the date of this announcement, condition precedent (i) above has been fulfilled, and condition precedent (ii) is also expected to be fulfilled on 7 May 2024. Accordingly, the 2024 Framework Agreement is expected to become effective on 7 May 2024.

Pricing basis and payment terms

Pursuant to the 2024 Framework Agreement, the sales prices of the products are not fixed. The sales prices shall be agreed between the parties on an arm’s length basis through negotiations with reference to the prevailing market price of similar products and taking into account factors such as costs, trading volume and market competition.

In order to identify similar products for comparison, the Group will consider the specific efficacy of the relevant products on the market. The Group will also assess the sales prices and relevant terms of similar products that are offered by the Neptunus Group and compare those prices and terms with the average prices and relevant terms with which such products are offered by at least two or more independent suppliers (if available), as well as the market prices of similar products under similar sales terms and conditions (if available) on a quarterly basis. The sales prices of the products supplied by the Neptunus Group to the Group shall not be higher than the sales prices of similar products in similar quantities supplied by independent suppliers to the Group.

For the internal control measures implemented by the Company to ensure that the terms of the 2024 Framework 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 Group shall pay the consideration of the products supplied by the Neptunus Group by wire transfer or by promissory note within the period as may be agreed by the Company and Neptunus Bio-engineering. The payment terms and arrangements shall be the same as the arrangements of other similar transactions entered into with other independent third party suppliers of the Company.

Annual caps

The Proposed Purchase Caps for each of the years ending 31 December 2024, 2025 and 2026 are RMB9,000,000 (approximately HK\$9,630,000), RMB9,500,000 (approximately HK\$10,165,000) and RMB10,000,000 (approximately HK\$10,700,000), respectively.

In arriving at the Proposed Purchase Caps, the Directors (including the independent non-executive Directors) have considered the following factors:

- a) the Group has conducted a small number of trial purchases and sales in the medical device business from January to March 2024 and expects its market demand to be favourable;
- b) the expected annual growth rate of the demand for purchasing the medical devices under the 2024 Framework Agreement to be approximately 5%, and
- c) a buffer of 5% to cater for any unexpected increase in the transaction, such as, an unexpected increase in the demand of the products and other relevant factors.

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 transaction amount under the 2024 Framework Agreement are expected to exceed the Proposed Purchase Caps, the Company will re-comply with the requirements under Chapter 20 of the GEM Listing Rules.

INTERNAL CONTROL MEASURES

In order to ensure that the terms of the 2024 Framework Agreement are no less favourable to the Group than the terms offered by independent suppliers to the Group and to protect the interests of the Company and the Shareholders as a whole, the Company has adopted the following internal control measures regarding the Proposed CCT:

- a) the prices of the products sold by the Neptunus Group would be determined with reference to the prevailing market prices of similar products agreed by both parties after arm's length negotiation. The Group will monitor the prices and terms of the transactions under the 2024 Framework Agreement by evaluating the average price of the products and relevant terms offered by its independent suppliers and the market prices of similar products under similar sales terms and conditions on a quarterly basis.
- 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 the Neptunus Group is higher than that offered by its independent suppliers to the Group and/or the terms of a product offered by the Neptunus Group are less favourable, 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 to evaluate whether the Group should adjust the price of such product or amend the relevant terms, with reference to factors such as the corporate background of the independent 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 CCT in accordance with the internal control policies. The relevant department of the Group would review regularly whether the Proposed CCT is implemented in accordance with the terms of the 2024 Framework 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 CCT 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 CCT to opine whether the Proposed Purchase Caps have been exceeded.
- f) the Company's audit committee would review the implementation of the Proposed CCT and review the report in relation to the Proposed CCT prepared by the management of the Group, in order to evaluate the comprehensiveness and effectiveness of the Group's internal control measures on Proposed CCT.
- g) the independent non-executive Directors would review the implementation of the Proposed CCT annually.

Taking into account that: (i) the above methods and procedures comprise the necessary components of an internal control system with designated department and responsible officer, clear approval process and monitoring system and detailed and explicit assessment criteria; and (ii) the abovementioned review procedures and approval process against the detailed assessment criteria should help to ensure that the transactions will be executed in compliance with the pricing principles stipulated in the 2024 Framework Agreement, the Directors consider that the above methods and procedures can ensure that the Proposed CCT will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the minority Shareholders.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE 2024 FRAMEWORK AGREEMENT

With the implementation of various healthcare industrial policies and healthcare reform, the medical devices retail markets in the PRC will continue to grow. The Board considers that the 2024 Framework Agreement will (i) bring to the Group higher operating revenues by the distribution and sale of medical devices which will have a positive impact on the profitability of the Group; (ii) assist the Group to expand its marketing team and retail network and strengthen its connections with distributors and retailers, and (iii) enhance the Group's market competitiveness in the PRC.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Director has a material interest in the transactions contemplated under the 2024 Framework Agreement, save and except that (i) the chairman of the Board and executive Director Mr. Zhang Feng is the deputy chairman and non-independent director of the 9th session of the board of directors and president of Neptunus Bio-engineering; (ii) Mr. Zhang Yi Fei, the non-executive Director of the Company, is also a non-independent director and executive vice president of Neptunus Bio-engineering; and (iii) Mr. Jin Rui, the non-executive Director of the Company, is also a non-independent director and vice president of Neptunus Bio-engineering. In this connection, Mr. Zhang Feng, Mr. Zhang Yi Fei and Mr. Jin Rui had abstained from voting on the written resolutions of the Board for approving the 2024 Framework Agreement 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 2024 Framework 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 the terms of the 2024 Framework Agreement (including the Proposed Purchase Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP AND NEPTUNUS BIO-ENGINEERING

The Group is principally engaged in the research and development, production and sales of medicines and medical devices, and the purchase and sales of medicines, healthcare food products and medical devices.

Neptunus Bio-engineering is a limited liability company established under the laws of the PRC (the shares of which are listed on the Shenzhen Stock Exchange) and the controlling shareholder of the Company. Neptunus Bio-engineering is principally engaged in pharmaceutical manufacturing and pharmaceutical commercial distribution businesses.

IMPLICATIONS OF THE GEM LISTING RULES

As at the date of this announcement, 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 Bio-engineering is a connected person of the Company under Rule 20.07 of the GEM Listing Rules. Accordingly, the 2024 Framework Agreement constitutes a continuing connected transaction for the Company as defined under Rule 20.29 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 2024 Framework Agreement will be subject to reporting, announcement, annual review requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

DEFINITIONS

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

“2024 Framework Agreement”	the framework agreement entered into between the Company and Neptunus Bio-engineering on 7 May 2024 (after trading hours) pursuant to which the Group will purchase medical device from Neptunus Group for distribution in the PRC for the period from the Effective Date to 31 December 2026 (both days inclusive);
“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 GEM;
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules;
“Director(s)”	the director(s) of the Company;
“Effective Date”	has the meaning as ascribed to it under the section headed “Conditions Precedent” in this announcement;
“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 Group”	Neptunus Bio-engineering and its subsidiaries;
“percentage ratio(s)”	has the meaning ascribed thereto under the GEM Listing Rules;
“PRC”	the People’s Republic of China;
“Proposed CCT”	the continuing connected transactions contemplated under the 2024 Framework Agreement;
“Proposed Purchase Cap(s)”	each of, or collectively, the proposed purchase caps for the three years ending 31 December 2024, 2025 and 2026;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholders”	the holder(s) of ordinary shares of RMB0.1 each in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“%”	per cent.

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

Shenzhen, the PRC, 7 May 2024

As at the date of this announcement, the executive Directors are Mr. Zhang Feng, Mr. Huang Jian Bo and Mr. Zhang Xiao Guang; the non-executive Directors are Mr. Zhang Yi Fei, Ms. Yu Lin and Mr. Jin Rui; and the independent non-executive Directors are Mr. Yick Wing Fat, Simon, Mr. Poon Ka Yeung and Mr. Zhang Jian Zhou.

For the purposes of illustration only, any amount denominated in RMB in this announcement was translated into HK\$ at the rate of RMB1 = HK\$1.07. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

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 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.

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*