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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)**

- (1) REVISION OF ANNUAL CAP IN RELATION TO THE 2023 YIDIANYAO DISTRIBUTION AGREEMENT;**  
**(2) TERMINATION OF THE 2023 YIDIANYAO DISTRIBUTION AGREEMENT;**  
**(3) CONTINUING CONNECTED TRANSACTION IN RELATION TO THE 2024 YIDIANYAO DISTRIBUTION AGREEMENT;**  
**AND**  
**(4) CONTINUING CONNECTED TRANSACTION IN RELATION TO RENEWAL OF THE 2021 PHARMACEUTICAL DISTRIBUTION AGREEMENT**

**Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders**



**1. THE 2023 YIDIANYAO DISTRIBUTION AGREEMENT**

Reference is made to the announcement of the Company dated 28 December 2023 in relation to the 2023 Existing Yidianyao Distribution Agreement.

Since the commencement of the 2023 Existing Yidianyao Distribution Agreement, the pharmaceutical products, food, healthcare food products and medical devices sold by the Company were well received by the market in the PRC and the sales volume grew at a rate higher than expected. During the period from 1 January 2024 to 31 October 2024, the aggregate sales amount under the 2023 Existing Yidianyao Distribution Agreement was approximately RMB9,825,792. As a result, the Board expects that the proposed annual caps for the transactions contemplated under the 2023 Existing Yidianyao Distribution Agreement for the year ending on 31 December 2024 will not be sufficient to meet the business needs of the Company in the future, taking into account the expected market demand of the pharmaceutical products, food, healthcare food products and medical devices under the current market condition.

On 15 November 2024 (after trading hours), the Company has entered into the 2023 Supplemental Yidianyao Distribution Agreement with Neptunus Yidianyao to (i) revise the Existing Annual Cap for the year ending 31 December 2024 to the Revised Annual Cap and (ii) terminate the 2023 Yidianyao Distribution Agreement with effect from 1 January 2025.

Save for the revision of the Existing Annual Cap to the Revised Annual Cap and the Early Termination, all other terms of the 2023 Existing Yidianyao Distribution Agreement shall remain unchanged.

In addition, on 15 November 2024 (after trading hours), the Company has entered into the 2024 Yidianyao Distribution Agreement with Neptunus Yidianyao, a connected person of the Company, pursuant to which the Group will provide pharmaceutical products, food, healthcare food products and medical devices to Yidianyao Group for distribution in the PRC for the period from 1 January 2025 or the date of the EGM, whichever is later, to 31 December 2027 (both days inclusive).

As at the date of this announcement, Neptunus Yidianyao is indirectly held as to 75.94% by Mr. Zhang Si Min, the brother of one of the executive Directors, Mr. Zhang Feng. Neptunus Yidianyao is an associate of Mr. Zhang Feng and thus a connected person of the Company under Rule 20.07(4) of the GEM Listing Rules. Accordingly, the 2023 Yidianyao Distribution Agreement and the 2024 Yidianyao Distribution Agreement constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

As certain applicable percentage ratios calculated with reference to the Revised Annual Cap and the highest Proposed Yidianyao Sales Cap exceed 5%, each of the Revised Annual Cap in the 2023 Supplemental Yidianyao Distribution Agreement and the 2024 Yidianyao Distribution Agreement will be subject to reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 20 of the GEM Listing Rules.

## **2. RENEWAL OF THE 2021 PHARMACEUTICAL DISTRIBUTION AGREEMENT**

Reference is made to the Company's announcement dated 6 December 2021 and circular dated 30 December 2021 in respect of the 2021 Pharmaceutical Distribution Agreement entered into between Neptunus Changjian and Neptunus Pharmaceutical in relation to the purchase of various pharmaceutical products manufactured by Neptunus Pharmaceutical for the period from 14 January 2022 to 31 December 2024 (both days inclusive).

As the term of the 2021 Pharmaceutical Distribution Agreement will expire on 31 December 2024, on 15 November 2024 (after trading hours), Neptunus Changjian and Neptunus Pharmaceutical entered into the 2024 Pharmaceutical Distribution Agreement to continue the purchase and distribution of pharmaceutical products.

As at the date of this announcement, Neptunus Pharmaceutical is wholly-owned by Neptunus Group which in turn is the controlling shareholder of Neptunus Bio-engineering. Neptunus Bio-engineering is the controlling shareholder of the Company under the GEM Listing Rules. Therefore, Neptunus Pharmaceutical is an associate of Neptunus Bio-engineering and thus a connected person of the Company under the Rule 20.11 of the GEM Listing Rules. Accordingly, the transactions under the 2024 Pharmaceutical Distribution Agreement constitutes continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

As all the applicable percentage ratios for the Proposed Pharmaceutical Product Purchase Caps exceed 5%, the 2024 Pharmaceutical Distribution Agreement will be subject to reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 20 of the GEM Listing Rules.

### **3. EGM**

An EGM will be convened and held to approve the Revised Annual Cap in the 2023 Supplemental Yidianyao Distribution Agreement, the 2024 Yidianyao Distribution Agreement and the 2024 Pharmaceutical Distribution Agreement, the Proposed Yidianyao Sales Caps, and the Proposed Pharmaceutical Product Purchase Caps. Neptunus Bio-engineering and its associates will abstain from voting at the EGM.

### **4. GENERAL**

The Company has established an Independent Board Committee comprising of the three independent non-executive Directors, namely Mr. Yick Wing Fat, Simon, Mr. Poon Ka Yeung and Mr. Zhang Jian Zhou, to advise the Independent Shareholders in respect of the Revised Annual Cap in the 2023 Supplemental Yidianyao Distribution Agreement, the 2024 Yidianyao Distribution Agreement and the 2024 Pharmaceutical Distribution Agreement, the Proposed Yidianyao Sales Caps, and the Proposed Pharmaceutical Product Purchase Caps. In this respect, Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders.

A circular containing, among other things, (a) further information relating to the 2023 Supplemental Yidianyao Distribution Agreement, the 2024 Yidianyao Distribution Agreement and the 2024 Pharmaceutical Distribution Agreement; (b) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders relating to the Revised Annual Cap in the 2023 Supplemental Yidianyao Distribution Agreement, the 2024 Yidianyao Distribution Agreement and the 2024 Pharmaceutical Distribution Agreement; and (c) a letter from the Independent Board Committee to the Independent Shareholders relating to the Revised Annual Cap in the 2023 Supplemental Yidianyao Distribution Agreement, the 2024 Yidianyao Distribution Agreement and the 2024 Pharmaceutical Distribution Agreement will be sent to the Shareholders as soon as possible.

# 1. THE 2023 SUPPLEMENTAL YIDIANYAO DISTRIBUTION AGREEMENT AND 2024 YIDIANYAO DISTRIBUTION AGREEMENT

## (A) The 2023 Supplemental Yidianyao Distribution Agreement and the Revised Annual Cap

On 15 November 2024 (after trading hours), the Company has entered into the 2023 Supplemental Yidianyao Distribution Agreement with Neptunus Yidianyao to (i) revise the Existing Annual Cap to the Revised Annual Cap and (ii) agree to terminate the 2023 Yidianyao Distribution Agreement with effect from 1 January 2025.

Save for the revision of the Existing Annual Cap to the Revised Annual Cap and the Early Termination, all other terms of the 2023 Existing Yidianyao Distribution Agreement shall remain unchanged. Please refer to the announcement of the Company dated 28 December 2023 for details of the other principal terms of the 2023 Existing Yidianyao Distribution Agreement.

The Board confirms that as at the date of this announcement, the transaction amount under the 2023 Existing Yidianyao Distribution Agreement has not exceeded the Existing Annual Cap.

The Revised Annual Cap shall be subject to the the approval by the Independent Shareholders at the EGM.

## (B) Termination of the 2023 Yidianyao Distribution Agreement

The 2023 Yidianyao Distribution Agreement shall be terminated with effect from 1 January 2025, and each party under the 2023 Yidianyao Distribution Agreement shall be released and discharged from its respective obligations. The Board considers that the Early Termination and the entry into the 2024 Yidianyao Distribution Agreement are for purposes of administrative efficiency and convenience. Therefore, the Early Termination is in the interests of the Company and its Shareholders as a whole and has no material adverse impact on the business, operation or financial condition of the Group.

## (C) The 2024 Yidianyao Distribution Agreement

On 15 November 2024 (after trading hours), the Company has entered into the 2024 Yidianyao Distribution Agreement with Neptunus Yidianyao, a connected person of the Company, pursuant to which the Group will provide pharmaceutical products, food, healthcare food products and medical devices to Yidianyao Group for distribution in the PRC for the period from 1 January 2025 or the date of the EGM, whichever is later, to 31 December 2027 (both days inclusive).

The details of the 2024 Yidianyao Distribution Agreement are as follows:

### **Date**

15 November 2024 (after trading hours)

## **Parties**

- (i) The Company; and
- (ii) Neptunus Yidianyao.

## **Subject Matter**

Pursuant to the 2024 Yidianyao Distribution Agreement, among other things, the Group will provide pharmaceutical products, food, healthcare food products and medical devices to Yidianyao Group for distribution within the PRC.

Such pharmaceutical products, mainly including antibiotics, cardio-cerebral vascular medicines, respiratory medicines, anti-allergy medicines and digestive medicines, and medical devices are manufactured by the Group and other manufacturers, whereas the food and healthcare food products, including liver protection products and soft candy products, are sourced from other manufacturers. Under the 2024 Yidianyao Distribution Agreement, pharmaceutical products to be provided by the Group will account for a very substantial portion.

## **Term**

Subject to the fulfilment of the conditions precedent therein, the term of the 2024 Yidianyao Distribution Agreement is from 1 January 2025 or the date of the EGM, whichever is later, and ending on 31 December 2027 (both days inclusive).

## **Conditions Precedent**

The transactions contemplated under the 2024 Yidianyao Distribution Agreement are conditional upon:

- (i) the approval by the Independent Shareholders at the EGM; 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.

## **Pricing Basis and Payment Terms**

Pursuant to the 2024 Yidianyao Distribution Agreement, the sales prices of the products shall be agreed between the parties on an arm's length basis through negotiations with reference to the then 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 and composition of the relevant products on the market. The Group will also assess the sales prices and relevant terms of similar products that are offered to Yidianyao Group and compare those prices and terms with the average prices and relevant terms with which such products are offered to at least two or more independent customers (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 Group to Yidianyao Group shall not be lower than the sales prices of similar products in similar quantities supplied by the Group to its independent customers.

The consideration of pharmaceutical, food, healthcare food products and medical devices supplied by the Group shall be settled by Neptunus Yidianyao within sixty (60) days after the issue date of the invoice.

**(D) Annual Cap(s) of 2023 Supplemental Yidianyao Distribution Agreement and the 2024 Yidianyao Distribution Agreement**

Pursuant to the 2023 Supplemental Yidianyao Distribution Agreement, the Existing Annual Cap for the transaction contemplated under the 2023 Existing Yidianyao Distribution Agreement has been revised to the Revised Annual Cap as follows:

	<b>For the year ending 31 December 2024</b>	
	<b>Existing Annual Cap (RMB)</b>	<b>Revised Annual Cap (RMB)</b>
2023 Yidianyao Distribution Agreement	<u>10,000,000</u>	<u>17,000,000</u>

Pursuant to the 2024 Yidianyao Distribution Agreement, the Proposed Yidianyao Sales Caps for each of the years ending 31 December 2025, 2026 and 2027 are RMB60,000,000 (approximately HK\$64,866,000), RMB70,000,000 (approximately HK\$75,677,000) and RMB82,000,000 (approximately HK\$88,650,200), respectively.

Details of the historical transaction amounts and historical sales caps under the 2020 Nepstar Distribution Agreement and 2023 Existing Yidianyao Distribution Agreement are set out in the table below:

	<b>For the year ended 31 December 2021 (RMB)</b>		<b>For the year ended 31 December 2022 (RMB)</b>		<b>For the year ended 31 December 2023 (RMB)</b>	
<b>Historical transaction amount (audited)</b>	<b>Historical sales cap</b>	<b>Historical transaction amount (audited)</b>	<b>Historical sales cap</b>	<b>Historical transaction amount (audited)</b>	<b>Historical sales cap</b>	
10,823,000	52,000,000	13,458,000	69,000,000	14,788,000	90,000,000	

For ten months ended 31 October 2024 (RMB)	For the year ending 31 December 2024 (RMB)	
Historical transaction amount (unaudited)	Sales cap (pursuant to the 2023 Existing Yidianyao Distribution Agreement)	Sales cap (pursuant to the 2023 Supplemental Yidianyao Distribution Agreement)
9,825,792	10,000,000	17,000,000

In arriving at the Revised Annual Cap and the Proposed Yidianyao Sales Cap(s), the Directors have considered the following factors:

- (i) the historical sales amount under (a) the 2020 Nepstar Distribution Agreement for the years ended 31 December 2021, 2022 and 2023 and (b) the 2023 Yidianyao Distribution Agreement for the ten months ended 31 October 2024;
- (ii) the estimated annual growth rate of the demand of the Yidianyao Group for pharmaceutical products, food, healthcare food products and medical devices, which is based on the actual growth rate of the historical sales amount under 2020 Nepstar Distribution Agreement and 2023 Yidianyao Distribution Agreement; and
- (iii) the categories of pharmaceutical products sold by the Company, which is increased from approximately 15 categories under the 2023 Yidianyao Distribution Agreement to approximately 60 categories under the 2024 Yidianyao Distribution Agreement. This increase in product categories will significantly enhance the Group's sales potential; and
- (iv) in arriving at the Proposed Yidianyao Sales Cap(s), a buffer of 5% to cover the unforeseen circumstances, for instance, an unexpected increase in the demand for the pharmaceutical products, food, healthcare food products and medical devices and other relevant factors, etc. for the transactions in 2025 to 2027.

If (i) the transaction amounts under the 2023 Yidianyao Distribution Agreement are expected to exceed the Revised Annual Cap or (ii) transaction amounts under the 2024 Yidianyao Distribution Agreement are expected to exceed the Proposed Yidianyao Sales Caps, the Company will re-comply with the requirements under Chapter 20 of the GEM Listing Rules.

## 2. RENEWAL OF THE 2021 PHARMACEUTICAL DISTRIBUTION AGREEMENT

Reference is made to the Company's announcement dated 6 December 2021 and circular dated 30 December 2021 in respect of the 2021 Pharmaceutical Distribution Agreement entered into between Neptunus Changjian and Neptunus Pharmaceutical in relation to the purchase of various pharmaceutical products manufactured by Neptunus Pharmaceutical for the distribution in the PRC by Neptunus Changjian for the period from 14 January 2022 to 31 December 2024 (both days inclusive).

As the term of the 2021 Pharmaceutical Distribution Agreement will expire on 31 December 2024, on 15 November 2024 (after trading hours), Neptunus Changjian and Neptunus Pharmaceutical entered into the 2024 Pharmaceutical Distribution Agreement to continue the purchase and distribution of pharmaceutical products.

### **The 2024 Pharmaceutical Distribution Agreement**

The details of the 2024 Pharmaceutical Distribution Agreement are as follows:

#### **Date**

15 November 2024 (after trading hours)

#### **Parties**

- (i) Neptunus Changjian; and
- (ii) Neptunus Pharmaceutical.

#### **Subject Matter**

Pursuant to the 2024 Pharmaceutical Distribution Agreement, among other things, Neptunus Changjian will purchase various pharmaceutical products manufactured by Neptunus Pharmaceutical and distribute such products within the PRC.

#### **Term**

Subject to the fulfilment of the conditions precedent therein, the term of the 2024 Pharmaceutical Distribution Agreement is from 1 January 2025 or the date of the EGM, whichever is later, and ending on 31 December 2027 (both days inclusive).

#### **Conditions Precedent**

The transactions contemplated under the 2024 Pharmaceutical Distribution Agreement are conditional upon:

- (i) the approval by the Independent Shareholders at the EGM; 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.

## Pricing Basis and Payment Terms

Pursuant to the 2024 Pharmaceutical Distribution Agreement, the purchase prices of the pharmaceutical products offered to the Group shall be determined with reference to the then prevailing market prices of similar products agreed by both parties after arm's length negotiation, and such purchase prices shall not be higher than the purchase prices of similar products obtained from other independent suppliers by the Group under similar transaction volumes.

In cases where the purchase prices of similar products from other third-party independent suppliers for similar transaction volumes are not available or cannot be obtained after reasonable commercial efforts, the purchase prices shall be determined by the parties based on (i) the final price of the relevant product sold by Neptunus Changjian to pharmacies and other institutions (the final price referred to herein being the average price Neptunus Changjian sold to the pharmacies and other institutions), and (ii) a pre-determined gross profit margin of Neptunus Changjian on the relevant product (ranging between 40% to 45%) and the implicit cost of sales (being the cost incurred by Neptunus Changjian for purchasing the product) back-extrapolated based on the "cost plus" approach.

The consideration of the pharmaceutical products purchased by Neptunus Changjian will be settled within forty-five (45) days after the issue date of the invoice or the receipt of the products, whichever is earlier. All the terms of the 2024 Pharmaceutical Distribution Agreement are arrived at after arm's length negotiations between Neptunus Changjian and Neptunus Pharmaceutical.

## Annual Caps

The Proposed Pharmaceutical Product Purchase Caps for each of the years ending 31 December 2025, 2026 and 2027 are RMB103,000,000 (approximately HK\$111,353,300), RMB123,000,000 (approximately HK\$132,975,300) and RMB147,000,000 (approximately HK\$158,921,700), respectively.

Details of the historical transaction amounts and historical purchase caps under the 2021 Pharmaceutical Distribution Agreement are set out in the table below:

For the year ended 31 December 2022 (RMB)		For the year ended 31 December 2023 (RMB)		For ten month ended 31 October 2024 (RMB)	For the year ending 31 December 2024 (RMB)
Historical transaction amount (audited)	Historical purchase cap	Historical transaction amount (audited)	Historical purchase cap	Historical transaction amount (unaudited)	Historical purchase cap
74,281,000	86,000,000	71,655,000	97,000,000	51,582,653	108,000,000

In arriving at the Proposed Pharmaceutical Product Purchase Caps, the Directors have considered the following factors:

- (i) Historical transaction amounts for purchasing medicines from Neptunus Pharmaceutical under the 2021 Pharmaceutical Distribution Agreement for the years ended 31 December 2022, 2023 and for the ten months ended 31 October 2024; and the expectation that the fourth quarter of 2024 will be the peak season for sales of each type of pharmaceutical products which are the subject matters of the 2024 Pharmaceutical Distribution Agreement;
- (ii) the estimated annual growth rate of the demand of the Group for pharmaceutical products, which is based on the historical transaction amount for 2022, 2023 and 2024, and the new sales channel of the Group, which is the community healthcare service centers under the 2024 Pharmaceutical Distribution Agreement; and
- (iii) a buffer of 5% to cover the unforeseen circumstances, for instance, an unexpected increase in the demand for the pharmaceutical products and other relevant factors, etc. for the transactions in 2025 to 2027.

If the Proposed Pharmaceutical Product Purchase Caps are expected to exceed in the relevant period, the Company will re-comply with the requirements under Chapter 20 of the GEM Listing Rules.

### **3. INTERNAL CONTROL MEASURES OF THE PROPOSED CCTS**

In order to ensure that (i) the terms of the 2023 Yidianyao Distribution Agreement and 2024 Yidianyao Distribution Agreement are no less favourable to the Group than the terms offered by the Group to independent customers; (ii) the terms of the 2024 Pharmaceutical Distribution Agreement are no less favourable to the Group than the terms available from independent suppliers; and (iii) to 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) In relation to the 2023 Yidianyao Distribution Agreement and the 2024 Yidianyao Distribution Agreement:
  - The prices of products sold to Yidianyao 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 2023 Yidianyao Distribution Agreement and the 2024 Yidianyao Distribution Agreement by evaluating the average price of the products and relevant terms offered to at least two of its independent customers and the market prices of similar products under similar sales terms and conditions on a quarterly basis.

- 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 Group to Yidianyao Group is lower than that offered to other independent customers and/or the terms of the 2023 Yidianyao Distribution Agreement or the 2024 Yidianyao Distribution Agreement are more favourable than those offered to other independent customers, 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 Directors who have a material interest in the relevant transaction) to evaluate whether the Group should adjust the price of or continue to provide such product to Yidianyao Group or amend the relevant terms, with reference to factors such as the corporate background of such customers, its reputation and reliability, and its ability to conduct the transaction in accordance with the terms of the agreement provided by it.

(b) In relation to the 2024 Pharmaceutical Distribution Agreement:

- The Group will compare the price of the products offered by Neptunus Pharmaceutical with that offered by independent suppliers. In order to obtain the prevailing market prices, relevant departments of the Group will obtain quotes with same sales terms from at least two independent suppliers which are as established as, and of similar scale with Neptunus Pharmaceutical on a quarterly basis for similar products. The quotes obtained from independent suppliers are usually applicable for purchase made within 30 days from the date of the quotes. However, there will not be substantial price fluctuation within a quarter. The relevant departments of the Group will compare the quotations of which the products to be sold to the Group by the independent suppliers are of similar quality and quantity with the same sale terms, the final purchase price will be determined based on the lowest quotation obtained from the independent suppliers.
- If at any time the relevant departments of the Group find out that the price of a product offered by Neptunus Pharmaceutical is higher than that offered by other independent suppliers and/or the terms of a product offered by Neptunus Pharmaceutical 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 Directors who have a material interest in the relevant transaction) who have relevant experience to evaluate whether the Group should continue to purchase such product from Neptunus Pharmaceutical or amend the relevant terms, with reference to factors such as the corporate background of such independent supplier, its reputation and reliability, and its ability to conduct the transaction in accordance with the terms of the agreement provided by it.

In cases where the purchase prices of similar products from other third-party independent suppliers for similar transaction volumes are not available or cannot be obtained after reasonable commercial efforts, after (i) considering comprehensively a number of factors relating to the specific product, including but not limited to the price, quality, credit period, delivery method, after-sales service, and gross profit level and (ii) going through all necessary

internal review and approval procedures by various departments (including but not limited to the procurement department, finance department, legal department, quality department and operation department) of Neptunus Changjian, the Group will determine whether to accept the procurement price of a specific product as offered by Neptunus Pharmaceutical. If the Group, after taking into consideration all the above-mentioned factors, considers that the procurement price offered by Neptunus Pharmaceutical is not in the interest of the Company and its Shareholders as a whole, or is not fair and reasonable, they will make the decision not to purchase such products from Neptunus Pharmaceutical.

- (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 are implemented in accordance with the terms of the 2023 Yidianyao Distribution Agreement, 2024 Yidianyao Distribution Agreement and the 2024 Pharmaceutical 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 Revised Annual Cap, the Proposed Yidianyao Sales Caps and the Proposed Pharmaceutical Product 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 Revised Annual Cap, the Proposed Yidianyao Sales Caps and the Proposed Pharmaceutical Product 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 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 can ensure that the transactions will be executed in compliance with the pricing principles stipulated in the 2023 Yidianyao Distribution Agreement, the 2024 Yidianyao Distribution Agreement and the 2024 Pharmaceutical 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.

#### **4. REASONS FOR AND BENEFITS OF ENTERING INTO OF THE 2023 YIDIANYAO DISTRIBUTION AGREEMENT AND THE 2024 YIDIANYAO DISTRIBUTION AGREEMENT**

Since the commencement of the 2023 Yidianyao Distribution Agreement, the pharmaceutical products, food, healthcare food products and medical devices sold by the Company were well received by the market in the PRC and the sales volume grew at a rate higher than expected. During the period from 1 January 2024 to 31 October 2024, the aggregate sales amount under the 2023 Existing Yidianyao Distribution Agreement was approximately RMB9,825,792. As a result, the Board expects that the proposed annual caps for the transactions contemplated under the 2023 Existing Yidianyao Distribution Agreement for the year ending on 31 December 2024 will not be sufficient to meet the business needs of the Company in the future, taking into account the expected market demand for the pharmaceutical products, food, healthcare food products and medical devices under the current market condition. In view of the above, the parties entered into the 2023 Supplemental Yidianyao Distribution Agreement in order to meet the actual business needs of the parties.

With the implementation of various healthcare industrial policies and healthcare reform, the pharmaceutical products and healthcare food products retail markets in the PRC will continue to grow. As Neptunus Yidianyao owns more than 3,000 chain drugstores and its retail networks for pharmaceutical products and healthcare food products are well established nationwide in the PRC, the Board considers that the 2023 Yidianyao Distribution Agreement and the 2024 Yidianyao Distribution Agreement will (i) improve the distribution and sales of the pharmaceutical products, healthcare food products and medical devices of the Group, (ii) improve the Group's market share in the pharmaceutical products and healthcare food products industry in the PRC, (iii) enhance the Group's market competitiveness in the PRC, and (iv) generate stable revenue for the Group in the coming few years. Furthermore, the 2024 Yidianyao Distribution Agreement can ensure steady sale of the products sold from the Group to Yidianyao Group and to maintain the parties' stable business relationship.

Therefore, the Board proposed to enter into (i) the 2023 Supplemental Yidianyao Distribution Agreement to revise the Existing Annual Cap to the Revised Annual Cap and agree to terminate the 2023 Yidianyao Distribution Agreement with effect from 1 January 2025, and (ii) the 2024 Yidianyao Distribution Agreement for the period from 1 January 2025 or the date of the EGM, whichever is later, to 31 December 2027 (both days inclusive).

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Director has a material interest in the transaction contemplated under the 2023 Supplemental Yidianyao Distribution Agreement and the 2024 Yidianyao Distribution Agreement, save and except that the chairman of the Board and executive Director Mr. Zhang Feng, is also a director of Neptunus Group. In this connection, Mr. Zhang Feng had abstained from voting on the written resolutions of the Board for approving the 2023 Supplemental Yidianyao Distribution Agreement and the 2024 Yidianyao Distribution Agreement. Having considered the above, the remaining Directors (other than the independent non-executive Directors who will express their views after considering the advice from the Gram Capital) take the view that the 2023 Supplemental Yidianyao Distribution Agreement and the 2024 Yidianyao Distribution Agreement have 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 2023 Supplemental Yidianyao Distribution Agreement (including the Revised Annual Cap) and the 2024 Yidianyao Distribution Agreement (including the Proposed Yidianyao Sales Caps) are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **5. REASONS FOR AND BENEFITS OF ENTERING INTO OF THE 2024 PHARMACEUTICAL DISTRIBUTION AGREEMENT**

On 4 January 2013, the Company acquired the entire equity interests in Neptunus Changjian with a view to expanding its business in marketing, sales and distribution of pharmaceutical and healthcare food products. The Board considers that the entering into of the 2024 Pharmaceutical Distribution Agreement will (i) bring to the Group higher operating revenues by the distribution and sale of pharmaceutical products which will have a positive impact on the profitability of the Group; and (ii) assist the Group to expand its marketing team and retail network and strengthen its connections with distributors and retailers.

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 Pharmaceutical Distribution Agreement, save and except that the chairman of the Board and executive Director, Mr. Zhang Feng, who is also a chairman of the board of directors of Neptunus Pharmaceutical and non-executive Director Mr. Zhang Yi Fei who is also a director of Neptunus Pharmaceutical. In this connection, Mr. Zhang Feng and Mr. Zhang Yi Fei had abstained from voting on the written resolutions of the Board for approving the 2024 Pharmaceutical Distribution Agreement. Having considered the above, the remaining Directors (other than the independent non-executive Directors who will express their views after considering the advice from Gram Capital) take the view that the 2024 Pharmaceutical 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 the terms of the 2024 Pharmaceutical Distribution Agreement (including the Proposed Pharmaceutical Product Purchase Caps) are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **6. INFORMATION ON THE GROUP, NEPTUNUS GROUP, NEPTUNUS CHANGJIAN, NEPTUNUS PHARMACEUTICAL AND NEPTUNUS YIDIANYAO**

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 Group is a joint stock limited company established under the laws of the PRC, and together with its subsidiaries, it is a large enterprise group with its competitive edge in the pharmaceutical industry in the PRC. It has already formed a comprehensive industry chain including research and development, manufacturing of pharmaceutical products and pharmaceutical commercial circulation.

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 pharmaceutical products, health supplements and food and is the holder of the Licences.

Neptunus Pharmaceutical is a limited liability company established under the laws of the PRC. Neptunus Pharmaceutical is principally engaged in the business of production and manufacturing of pharmaceutical products.

Neptunus Yidianyao is a limited liability company established under the laws of the PRC, which is principally engaged in the retail of pharmaceutical products, healthcare food products and medical devices.

## **7. IMPLICATIONS OF THE GEM LISTING RULES**

As at the date of this announcement, Neptunus Yidianyao is indirectly held as to 75.94% by Mr. Zhang Si Min, the brother of one of the executive Directors, Mr. Zhang Feng. Neptunus Yidianyao is an associate of Mr. Zhang Feng and thus a connected person of the Company under Rule 20.07(4) of the GEM Listing Rules. Other than Mr. Zhang Si Min, no individual holds more than a 15% interest in Neptunus Yidianyao. Accordingly, the 2023 Yidianyao Distribution Agreement and the 2024 Yidianyao Distribution Agreement constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

As certain applicable percentage ratios calculated with reference to the Revised Annual Cap and the highest Proposed Yidianyao Sales Cap exceed 5%, each of the Revised Annual Cap in the 2023 Supplemental Yidianyao Distribution Agreement and the 2024 Yidianyao Distribution Agreement will be subject to reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 20 of the GEM Listing Rules.

As at the date of this announcement, Neptunus Pharmaceutical is wholly-owned by Neptunus Group which in turn is the controlling shareholder of Neptunus Bio-engineering. Neptunus Bio-engineering is the controlling shareholder of the Company under the GEM Listing Rules. Therefore, Neptunus Pharmaceutical is an associate of Neptunus Bio-engineering and thus a connected person of the Company under the Rule 20.11 of the GEM Listing Rules. Accordingly, the transactions under the 2024 Pharmaceutical Distribution Agreement constitutes continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

As all the applicable percentage ratios for the Proposed Pharmaceutical Product Purchase Caps exceed 5%, the 2024 Pharmaceutical Distribution Agreement will be subject to reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 20 of the GEM Listing Rules.

## **8. EGM**

An EGM will be convened and held to approve the Revised Annual Cap in the 2023 Supplemental Yidianyao Distribution Agreement, the 2024 Yidianyao Distribution Agreement and the 2024 Pharmaceutical Distribution Agreement, the Proposed Yidianyao Sales Caps, and the Proposed Pharmaceutical Product Purchase Caps. Neptunus Bio-engineering and its associates will abstain from voting at the EGM.

## **9. GENERAL**

The Company has established an Independent Board Committee comprising of the three independent non-executive Directors, namely Mr. Yick Wing Fat, Simon, Mr. Poon Ka Yeung and Mr. Zhang Jian Zhou, to advise the Independent Shareholders in respect of the Revised Annual Cap in the 2023 Supplemental Yidianyao Distribution Agreement, the 2024 Yidianyao Distribution Agreement and the 2024 Pharmaceutical Distribution Agreement, the Proposed Yidianyao Sales Caps, and the Proposed Pharmaceutical Product Purchase Caps. In this respect, Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders.

A circular containing, among other things, (a) further information relating to the 2023 Supplemental Yidianyao Distribution Agreement, the 2024 Yidianyao Distribution Agreement and the 2024 Pharmaceutical Distribution Agreement; (b) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders relating to the Revised Annual Cap in the 2023 Supplemental Yidianyao Distribution Agreement, the 2024 Yidianyao Distribution Agreement and the 2024 Pharmaceutical Distribution Agreement; and (c) a letter from the Independent Board Committee to the Independent Shareholders relating to the Revised Annual Cap in the 2023 Supplemental Yidianyao Distribution Agreement, the 2024 Yidianyao Distribution Agreement and the 2024 Pharmaceutical Distribution Agreement will be sent to the Shareholders as soon as possible. As additional time is required by the Company to prepare the information to be included in the circular, it is expected that the circular will be dispatched to the Shareholders in early December 2024. If it is expected that there will be a delay of the circular, a further announcement will be published in accordance with the GEM Listing Rules.

## 10. DEFINITIONS

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

“2020 Nepstar Distribution Agreement”	the distribution agreement dated 19 November 2020 entered into between the Company and Neptunus Yidianyao pursuant to which the Group will provide pharmaceutical products, food and healthcare food products to Yidianyao Group for distribution in the PRC for the period from 20 January 2021 to 31 December 2023;
“2021 Pharmaceutical Distribution Agreement”	the distribution agreement entered into between Neptunus Changjian and Neptunus Pharmaceutical on 6 December 2021 relating to the purchase of various pharmaceutical products manufactured by Neptunus Pharmaceutical for distribution in the PRC for the period from the date on which the 2021 Pharmaceutical Distribution Agreement is approved by the Independent Shareholders at the EGM on 14 January 2022 and ending on 31 December 2024 (both days inclusive);
“2023 Existing Yidianyao Distribution Agreement”	the distribution agreement entered into between the Company and Neptunus Yidianyao on 28 December 2023 (after trading hours) pursuant to which the Group will provide pharmaceutical products, food, healthcare food products and medical devices to Yidianyao Group for distribution in the PRC for the period from 1 January 2024 to 31 December 2026 (both days inclusive);
“2023 Supplemental Yidianyao Distribution Agreement”	the supplemental agreement that the Company entered into with Neptunus Yidianyao on 15 November 2024 (after trading hours), pursuant to which the parties agreed to revise the Existing Annual Cap and the Early Termination;
“2023 Yidianyao Distribution Agreement”	The 2023 Existing Yidianyao Distribution Agreement, as amended and supplemented by the 2023 Supplemental Yidianyao Distribution Agreement;
“2024 Pharmaceutical Distribution Agreement”	the distribution agreement entered into between Neptunus Changjian and Neptunus Pharmaceutical on 15 November 2024 (after trading hours) relating to the purchase of various pharmaceutical products manufactured by Neptunus Pharmaceutical for distribution in the PRC for the period from 1 January 2025 or the date of the EGM, whichever is later, to 31 December 2027 (both days inclusive);

“2024 Yidianyao Distribution Agreement”	the distribution agreement entered into between the Company and Neptunus Yidianyao on 15 November 2024 (after trading hours) pursuant to which the Group will provide pharmaceutical products, food, healthcare food products and medical devices to Yidianyao Group for distribution in the PRC for the period from 1 January 2025 or the date of the EGM, whichever is later, to 31 December 2027 (both days inclusive);
“associate”	has the meaning ascribed thereto under the GEM Listing Rules;
“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*), whose H shares are listed on 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;
“Early Termination”	the termination of the 2023 Yidianyao Distribution Agreement with effect from 1 January 2025;
“EGM”	an extraordinary general meeting of the Company to be held to consider and approve by poll, among other things, the Revised Annual Cap in the 2023 Supplemental Yidianyao Distribution Agreement, the 2024 Yidianyao Distribution Agreement and the 2024 Pharmaceutical Distribution Agreement, the Proposed Yidianyao Sales Caps, and the Proposed Pharmaceutical Product Purchase Caps;
“Existing Annual Cap”	the annual sales cap for the year ending 31 December 2024 pursuant to the 2023 Existing Yidianyao Distribution Agreement;
“GEM”	GEM of the Stock Exchange;

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors, to advise the Independent Shareholders as to the fairness and reasonableness of the Revised Annual Cap in the 2023 Supplemental Yidianyao Distribution Agreement, the 2024 Yidianyao Distribution Agreement and the 2024 Pharmaceutical Distribution Agreement, the Proposed Yidianyao Sales Caps and the Proposed Pharmaceutical Product Purchase Caps;
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Revised Annual Cap in the 2023 Supplemental Yidianyao Distribution Agreement, the 2024 Yidianyao Distribution Agreement and the 2024 Pharmaceutical Distribution Agreement, the Proposed Yidianyao Sales Caps and the Proposed Pharmaceutical Product Purchase Caps;
“Independent Shareholders”	Shareholder(s) other than Neptunus Bio-engineering and any of its associates;
“Licences”	certain licences and certificates held by Neptunus Changjian in relation to sales and distribution of drugs and health supplements and food, including the drugs operation licences (藥品經營許可證), the hygiene certificate for healthcare food operation enterprises (保健食品經營企業衛生許可證), the food hygiene certificate (食品衛生許可證), the medical equipment operation corporate licence (醫療器械經營企業許可證) and the GSP certificate (藥品經營質量管理規範認證證書);
“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;

“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 Group”	深圳海王集團股份有限公司 (Shenzhen Neptunus Group Company Limited*), a joint stock limited company incorporated in the PRC and the controlling shareholder of Neptunus Bio-engineering;
“Neptunus Pharmaceutical”	深圳海王藥業有限公司 (Shenzhen Neptunus Pharmaceutical Company Limited*), a limited liability company established under the laws of the PRC which is wholly-owned by Neptunus Group;
“Neptunus Yidianyao”	深圳市海王易點藥醫藥有限公司 (Shenzhen Neptunus Yidianyao Pharmaceutical Company Limited*) (previously known as 深圳市海王星辰醫藥有限公司 (Shenzhen Nepstar Pharmaceutical Company Limited*)), a limited liability company established under the laws of the PRC which is indirectly held as to 75.94% interest by Mr. Zhang Si Min, the brother of Mr. Zhang Feng, who is an executive Director;
“percentage ratio(s)”	has the meaning ascribed thereto under the GEM Listing Rules;
“PRC”	the People’s Republic of China;
“Proposed CCTs”	collectively, the continuing connected transactions contemplated under the 2023 Yidianyao Distribution Agreement, the 2024 Yidianyao Distribution Agreement and the 2024 Pharmaceutical Distribution Agreement;
“Proposed Pharmaceutical Product Purchase Cap(s)”	each of, or collectively, the proposed purchase caps for the three years ending 31 December 2025, 2026 and 2027 under the 2024 Pharmaceutical Distribution Agreement;
“Proposed Yidianyao Sales Cap(s)”	each of, or collectively, the proposed sales caps for the three years ending 31 December 2025, 2026 and 2027 under the 2024 Yidianyao Distribution Agreement;
“Revised Annual Cap”	the annual sales cap for the year ending 31 December 2024 pursuant to the 2023 Supplemental Yidianyao Distribution Agreement;

“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholders”	the holders of the ordinary shares of RMB0.1 each of the Company;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Yidianyao Group”	Neptunus Yidianyao and its subsidiaries; and
“%”	per cent.

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

Shenzhen, the PRC, 15 November 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\$1.0811. 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 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