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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for independent advice.

If you have sold or transferred all your shares in Shenzhen Neptunus Interlong Bio-technique Company Limited*, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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 AND EARLY TERMINATION IN
RELATION TO THE 2023 YIDIANYAO DISTRIBUTION AGREEMENT;**
**(2) CONTINUING CONNECTED TRANSACTION IN RELATION TO THE
2024 YIDIANYAO DISTRIBUTION AGREEMENT;**
**(3) CONTINUING CONNECTED TRANSACTION
IN RELATION TO RENEWAL OF
THE 2021 PHARMACEUTICAL DISTRIBUTION AGREEMENT; AND**
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

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



A letter from the Board is set out on pages 6 to 24 of this circular and a letter from Gram Capital Limited is set out on pages 27 to 49 of this circular. A notice convening the EGM to be held at 10:00 a.m. on Tuesday, 31 December 2024 at Meeting Room, 24th Floor, Neptunus Yinhe Technology Mansion, 1 Keji Middle 3rd Road, Nanshan District, Shenzhen, Guangdong Province, the People's Republic of China (the "PRC") is set out in this circular. A form of proxy is also enclosed. The form of proxy is also published on the GEM website (www.hkgem.com) and the website of the Company.

Whether or not you are able to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM (i.e. not later than 10:00 a.m. on Monday, 30 December 2024) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person if you so wish.

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and in the Company's website at www.interlong.com.

References to time and dates in this circular are to Hong Kong time and dates.

* For identification purpose only

10 December 2024

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

In this circular, the following expressions shall, unless the context otherwise requires, have the following respective meanings:

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| “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 term of three years, commencing from 1 January 2025 or the date of the EGM, whichever is later, to 31 December 2027 (both days inclusive); |

DEFINITIONS

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| “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 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; |
| “Domestic Shares” | domestic shares of RMB0.10 each in the issued share capital 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 at 10:00 a.m. on Tuesday, 31 December 2024 at Meeting Room, 24th Floor, Neptunus Yinhe Technology Mansion, 1 Keji Middle 3rd Road, Nanshan District, Shenzhen, Guangdong Province, PRC 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; |

DEFINITIONS

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| “GEM” | GEM of the Stock Exchange; |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on GEM; |
| “Gram Capital” or “Independent Financial Adviser” | 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; |
| “Group” | the Company and its subsidiaries; |
| “Guangxin Holdings” | 廣東省廣新控股集團有限公司 (Guangdong Guangxin Holdings Group Co., Ltd.*), a limited liability company established under the laws of the PRC; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC; |
| “H Shares” | ordinary shares of RMB0.10 each in the issued share capital of the Company which are listed and traded on GEM; |
| “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 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; |
| “Latest Practicable Date” | 9 December 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein; |

DEFINITIONS

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| “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 established under the laws of 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; |

DEFINITIONS

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| “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; |
| “Textile Group” | 廣東省絲綢紡織集團有限公司 (Guangdong Silk Textile Group Company Limited*), a limited liability company established under the laws of the PRC; |
| “Yidianyao Group” | Neptunus Yidianyao and its subsidiaries; and |
| “%” | per cent. |

* *For identification purpose only*

LETTER FROM THE BOARD



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)

Executive Directors:
Mr. Zhang Feng (Chairman)
Mr. Huang Jian Bo
Mr. Zhang Xiao Guang

Non-executive Directors:
Mr. Zhang Yi Fei
Ms. Yu Lin
Mr. Jin Rui

Independent Non-executive Directors:
Mr. Yick Wing Fat, Simon
Mr. Poon Ka Yeung
Mr. Zhang Jian Zhou

Registered Office:
Suite 1702, Neptunus Yinhe Technology Mansion,
1 Keji Middle 3rd Road,
Maling Community,
Yuehai Sub-district,
Nanshan District, Shenzhen, the PRC

Principal Place of Business in Hong Kong:
43/F
One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

10 December 2024

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the announcement dated 15 November 2024 issued by the Company in relation to 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.

* For identification purpose only

LETTER FROM THE BOARD

The purpose of this circular is to provide the Shareholders with, inter alia, (a) further information relating to 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; (b) a letter of advice from the Independent Financial Adviser 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, the Proposed Yidianyao Sales Caps, and the Proposed Pharmaceutical Product Purchase Caps; 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, the Proposed Yidianyao Sales Caps, and the Proposed Pharmaceutical Product Purchase Caps.

BACKGROUND

As disclosed in the Company's announcement dated 28 December 2023, the Company entered into the 2023 Existing Yidianyao Distribution Agreement with Neptunus Yidianyao, a connected person of the Company 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).

As disclosed in the Company's announcement dated 15 November 2024, 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.

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 further disclosed in the Company's announcement dated 15 November 2024, Neptunus Changjian, a wholly-owned subsidiary of the Company, entered into the 2024 Pharmaceutical Distribution Agreement with Neptunus Pharmaceutical, a fellow subsidiary and a connected person of the Company on 15 November 2024 (after trading hours) pursuant to which Neptunus Changjian will continue to purchase various pharmaceutical products manufactured by Neptunus Pharmaceutical and distribute such products within 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).

LETTER FROM THE BOARD

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 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.

(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). In the event that the EGM is held after 1 January 2025, no transaction under the 2024 Yidianyao Distribution Agreement will be conducted until the date of the EGM when the 2024 Yidianyao Distribution Agreement and the Proposed Yidianyao Sales Caps have been approved at the EGM.

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

Date

15 November 2024 (after trading hours)

LETTER FROM THE BOARD

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).

Other than the term and the annual cap, there is no material difference between the terms of the 2023 Yidianyao Distribution Agreement and the 2024 Yidianyao Distribution Agreement.

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

LETTER FROM THE BOARD

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 prices and relevant terms with which such products are offered to at least two or more independent distributors, who are also customers of the Group (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 distributors. If there is no sales price of similar product in similar quantities offered by the Group to its independent distributors, 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 independent supplier to Yidianyao Group.

The consideration of pharmaceutical products, 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:

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

As of the Latest Practicable Date, the transaction amount under the 2023 Existing Yidianyao Distribution Agreement is RMB9,825,792 and the Board confirms that the transaction amount under the 2023 Existing Yidianyao Distribution Agreement has not exceeded the Existing Annual Cap as of the Latest Practicable Date. The Company would not expect the actual transaction amount under the 2023 Existing Yidianyao Distribution Agreement to exceed the Existing Annual Cap as of the time of the EGM. The Company confirms that it has complied and will continue to comply with GEM Rule 20.52(1) requirements.

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.

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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:

| For the year ended 31 December 2021 (RMB) | | | For the year ended 31 December 2022 (RMB) | | | For the year ended 31 December 2023 (RMB) | | |
|--|-------------------------|---------------------|---|---|---------------------|--|-------------------------|---------------------|
| Historical transaction amount (audited) | Historical sales cap | Utilisation rate | Historical transaction amount (audited) | Historical sales cap | Utilisation rate | Historical transaction amount (audited) | Historical sales cap | Utilisation rate |
| <u>10,823,000</u> | <u>52,000,000</u> | 20.8% | <u>13,458,000</u> | <u>69,000,000</u> | 19.5% | <u>14,788,000</u> | <u>90,000,000</u> | 16.4% |
| 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) | | Utilisation rate | | |
| <u>9,825,792</u> | | | <u>10,000,000</u> | <u>17,000,000</u> | | 98.3% (note) | | |

Note: as of 31 October 2024.

The low utilisation rate of the historical sales cap for the three years ended 31 December 2023 under the 2020 Nepstar Distribution Agreement can be attributed to two primary factors:

- (i) **Impact of COVID-19 on Pharmaceutical Products:** The COVID-19 pandemic had a significant negative impact on the demand for certain pharmaceutical products sold under the 2020 Nepstar Distribution Agreement.
- (ii) **Directional Change of Yidianyao Group:** For the three years ended 31 December 2023, Yidianyao Group made a decision to diversify its supplier base. However, recognizing the potential for mutual growth and benefits, the Group has strengthened its collaboration with Yidianyao Group in the second half of 2024. It aims to foster deeper collaboration by leveraging each other's strengths and resources.

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 (i) the 2020 Nepstar Distribution Agreement for the three years ended 31 December 2021, 2022 and 2023 and (ii) the 2023 Yidianyao Distribution Agreement for the ten months ended 31 October 2024;

LETTER FROM THE BOARD

- (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.

Based on the historical transaction amounts for the three years ended 31 December 2021, 2022 and 2023, the compound annual growth rate (“CAGR”) of historical transaction amounts for the three years ended 31 December 2021, 2022 and 2023 amounted to approximately 16.9% (the “**2021 to 2023 Yidianyao Growth Rate**”).

In relation to the Revised Annual Cap, the Company has suspended all transactions under the 2023 Yidianyao Distribution Agreement in order to comply with GEM Listing Rules. Therefore, the approval at the EGM will allow the Company to resume these transactions. The resumption of transactions is expected to quickly ramp up to align with the historical growth rate. The Revised Annual Cap for FY2024 represents an increase of approximately 15.0% to the historical transaction amount of Yidianyao Sales Transactions for the year ended 31 December 2023. The increase of 15.0% is in line with the 2021 to 2023 Yidianyao Growth Rate of approximately 16.9%.

The estimated sales amounts for the year ending 31 December 2026 under the 2024 Yidianyao Distribution Agreement increased by approximately 16.7% compared to that for the year ending 31 December 2025, and the estimated sales amounts for the year ending 31 December 2027 increased by approximately 17.1% compared to that for the year ending 31 December 2026. The increased rates of approximately 16.7% and 17.1% are similar to the CAGR under the 2020 Nepstar Distribution Agreement for 2021 to 2023 of approximately 16.9%;

- (iii) the categories of pharmaceutical products sold by the Company. The estimated sales amounts for the year ending 31 December 2025 represents a growth rate of approximately 236.1% as compared to that for the year ending 31 December 2024. This significant increase is attributed to an increase in the categories of pharmaceutical products sold by Neptunus Changjian from approximately 15 categories under the 2023 Yidianyao Distribution Agreement to approximately 60 categories under the 2024 Yidianyao Distribution Agreement. The newly expanded product categories can be broadly classified into two types: (1) products previously sold to other distributors of the Group, but not to Yidianyao Group and (2) products that are not previously sold by Neptunus Changjian. The inclusion of these products in the 2024 Yidianyao Distribution Agreement allows the Group to leverage its existing product portfolio and extend its reach to Yidianyao Group’s distribution network. This increase in product categories will significantly enhance the Group’s sales potential. Therefore, the Directors considered that the Proposed Yidianyao Sales Cap(s) are reasonable; and

LETTER FROM THE BOARD

- (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 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.

76% of the product categories sold by the Group to Neptunus Yidianyao do not overlap with the product categories provided by Neptunus Pharmaceutical to Neptunus Changjian. From January to September 2024, sales from the Group to Neptunus Yidianyao under the 2023 Yidianyao Distribution Agreement represented approximately 0.9% of Neptunus Changjian's total sales to its customers for products supplied by Neptunus Pharmaceutical under the 2021 Pharmaceutical Distribution Agreement.

LETTER FROM THE BOARD

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 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 average pre-determined gross profit margin on the products ranges from 40% to 45%, and the Directors believe that such a margin is reasonable within the pharmaceutical industry, supported by a comparison with the gross profit margins of other Hong Kong listed companies that are principally engaged in the trading of pharmaceutical products.

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.

LETTER FROM THE BOARD

Annual Caps of the 2024 Pharmaceutical Distribution Agreement

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 the ten months ended 31 October 2024 (RMB) | For the year ending 31 December 2024 (RMB) | |
|--|----------------------------|---------------------|--|----------------------------|---------------------|--|--|---------------------|
| Historical transaction amount (audited) | Historical purchase cap | Utilisation rate | Historical transaction amount (audited) | Historical purchase cap | Utilisation rate | Historical transaction amount (unaudited) | Historical purchase cap | Utilisation rate |
| 74,281,000 | 86,000,000 | 86.4% | 71,655,000 | 97,000,000 | 73.9% | 51,582,653 | 108,000,000 | 47.8% (note) |

Note: as of 31 October 2024.

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.

The historical transaction amounts under the 2021 Pharmaceutical Distribution Agreement remained low due to the impact of COVID-19 and the popularity of community healthcare service centers. Despite COVID-19 pandemic ended, the community healthcare service centers in the PRC have reduced the number of customers of the Group's chain pharmacies, which in turn lower the demand for the products purchased by the Group under the 2024 Pharmaceutical Distribution Agreement. Due to policy restrictions, the

LETTER FROM THE BOARD

Group was previously not allowed to provide pharmaceutical products (including the products purchased under the 2024 Pharmaceutical Distribution Agreement) to community healthcare service centers. However, since the relevant policy restriction was relaxed in the middle of 2024, the Group may now be allowed to provide pharmaceutical products to these centers.

The estimated purchase amount for year ending 31 December 2025 represents a CAGR of approximately 17% as compared to that for year ending 31 December 2023. The estimated transaction amounts for year ending 31 December 2026 and 2027 represented a year-on-year growth of approximately 19% and 20%, compared to that for year ending 31 December 2025 and 2026, respectively; 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.

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 distributors; (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 distributors 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 distributors and/or the terms of the 2023 Yidianyao Distribution Agreement or the 2024 Yidianyao

LETTER FROM THE BOARD

Distribution Agreement are more favourable than those offered to other independent distributors, 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 distributors, 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 there is no sales price of similar product in similar quantities offered by the Group to its independent distributors, 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 independent supplier to Yidianyao Group. The relevant departments of the Company shall request Yidianyao Group to provide information every three months on the sales prices of similar products in similar quantities supplied by at least two independent suppliers, including but not limited to price quotations, sales orders, and any other relevant documentation. Upon receiving the information from Yidianyao Group, the procurement department of Company shall conduct a periodic review every three months to ensure that 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 independent supplier to Yidianyao Group. If at any time the procurement department of the Company finds that the sales prices of the products supplied by the Group to Yidianyao Group are lower than the sales prices of similar products in similar quantities supplied by independent suppliers, the Company shall promptly adjust the sale prices to a higher level to ensure that the sales prices of the Group are higher than the sales prices of similar products in similar quantities supplied by independent supplier to Yidianyao Group.

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

Where purchase prices of similar products from other third-party independent suppliers are available

- 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

LETTER FROM THE BOARD

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.

Where purchase prices of similar products from third-party independent suppliers are not available or cannot be obtained after reasonable commercial efforts

- 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 following control measures for the back-extrapolated “cost plus” approach will be implemented:
 - (i) Neptunus Changjian will maintain a comprehensive tracking system to monitor all the prices of the products sold to pharmacies and other institutions (the “**Selling Price**”) and the implicit costs of sales.
 - (ii) In the event of changes to the Selling Price, the finance department of Neptunus Changjian will update the system within 10 Business Days.
 - (iii) Should there be any changes to the implicit costs of sales, the finance department of Neptunus Changjian will update the system on a monthly basis.
 - (iv) The finance, sales, and operations teams of Neptunus Changjian will conduct monthly reviews of the data in the tracking system.
 - (v) When Neptunus Changjian placing orders, the procurement team of Neptunus Changjian will determine whether to accept the purchase prices of products provided by Neptunus Pharmaceutical based on the tracking system.

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- (vi) Any pricing determined using the back-extrapolated “cost plus” approach will require approval from the general manager of Neptunus Changjian.

The approval process involves a comprehensive consideration of various factors related to the specific product, including but not limited to the price, quality, credit period, delivery method, after-sales service, and gross profit level. Additionally, the pricing will undergo 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. If at any time the price of products offered by Neptunus Pharmaceutical falls outside the average pre-determined gross profit margin, Neptunus Changjian will negotiate with Neptunus Pharmaceutical for a lower price of the products provided by Neptunus Pharmaceutical to satisfy the average pre-determined profit margin. If the average pre-determined profit margin cannot be met, Neptunus Changjian will not purchase such products from Neptunus Pharmaceutical. The Group will determine whether to accept the procurement price of a specific product as offered by Neptunus Pharmaceutical. If, after considering all the above-mentioned factors, the Group concludes that the procurement price offered by Neptunus Pharmaceutical is not in the best interest of the Company and its Shareholders as a whole, or is not fair and reasonable, the decision will be made 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.

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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.

REASONS FOR AND BENEFITS OF ENTERING INTO 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

LETTER FROM THE BOARD

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 whose views have been set out in this circular after considering the advice from the Independent Financial Adviser) 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.

REASONS FOR AND BENEFITS OF ENTERING INTO 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 whose views have been set out in this circular after considering the advice from the Independent Financial Adviser) 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.

LETTER FROM THE BOARD

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. The ultimate beneficial owner of Neptunus Group is Mr. Zhang Si Min. Other than Mr. Zhang Si Min, there is no other person who controls, directly or indirectly, one-third or more of Neptunus Group.

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.

IMPLICATIONS OF THE GEM LISTING RULES

As at the Latest Practicable Date, 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 Latest Practicable Date, 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

LETTER FROM THE BOARD

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.

Neptunus Bio-engineering, which, as at the Latest Practicable Date, held approximately 73.51% of the total issued share capital of the Company, and its associates will abstain from voting at the EGM on the resolutions proposed to consider and 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. Save as disclosed above, none of the Shareholders are required to abstain from voting at the EGM.

EGM

The notice of the EGM is set out on pages 56 to 60 of this circular.

The 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.

The relevant resolutions will be put forward to the upcoming EGM for the Independent Shareholders' consideration and approval by way of ordinary resolutions.

RECOMMENDATION

The Company has established an Independent Board Committee comprising three independent non-executive Directors, namely Mr. Yick Wing Fat, Simon, Mr. Poon Ka Yeung and Mr. Zhang Jian Zhou, to consider the 2023 Supplemental Yidianyao Distribution Agreement, the 2024 Yidianyao Distribution Agreement and the 2024 Pharmaceutical Distribution Agreement, the Revised Annual Cap, the Proposed Yidianyao Sales Caps, and the Proposed Pharmaceutical Product Purchase Caps and to recommend to the Independent Shareholders how to vote in the EGM.

Gram Capital has been appointed as the Independent Financial Adviser for the purpose of advising the Independent Board Committee and the Independent Shareholders in relation to 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. Gram Capital considers that the terms and conditions of the Revised Annual Cap in the 2023 Supplemental Yidianyao Distribution Agreement, the 2024 Yidianyao

LETTER FROM THE BOARD

Distribution Agreement and the 2024 Pharmaceutical Distribution Agreement, the Proposed Yidianyao Sales Caps, and the Proposed Pharmaceutical Product Purchase Caps are fair and reasonable and the entering into of the 2023 Supplemental Yidianyao Distribution Agreement, the 2024 Yidianyao Distribution Agreement and the 2024 Pharmaceutical Distribution Agreement is in the interests of the Company and the Shareholders as a whole. The text of the letter of advice from Gram Capital containing its recommendation is set out on pages 27 to 49 of this circular.

The Independent Board Committee, having taken into account and based on the recommendation of Gram Capital, considers that 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 are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM 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.

ADDITIONAL INFORMATION

Your attention is also drawn to (a) the letter from the Independent Board Committee to the Independent Shareholders; (b) the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders; and (c) the additional information set out in the appendix to this circular.

Yours faithfully,

By Order of the Board

Shenzhen Neptunus Interlong Bio-technique Company Limited*

Zhang Feng

Chairman

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

10 December 2024

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular dated 10 December 2024 issued by the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein, unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider 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 and to advise you as to the fairness and reasonableness of the same. The Independent Financial Adviser, Gram Capital, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 6 to 24 of the Circular, and the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders which contains its opinion in respect of the 2023 Supplemental Yidianyao Distribution Agreement, the 2024 Yidianyao Distribution Agreement and the 2024 Pharmaceutical Distribution Agreement as set out on pages 27 to 49 of the Circular. After taking into consideration the advice from Gram Capital, we concur with the views of Gram Capital and consider that each of the 2023 Supplemental Yidianyao Distribution Agreement, the 2024 Yidianyao Distribution Agreement and the 2024 Pharmaceutical Distribution Agreement has been entered into in the Group's ordinary and

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

usual course of business, and the 2023 Supplemental Yidianyao Distribution Agreement, the 2024 Yidianyao Distribution Agreement and the 2024 Pharmaceutical Distribution Agreement are on normal commercial terms or better determined on an arm's length basis and in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM 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.

Yours faithfully
Independent Board Committee

Mr. Yick Wing Fat, Simon
Independent Non-executive Director

Mr. Poon Ka Yeung
Independent Non-executive Director

Mr. Zhang Jian Zhou
Independent Non-executive Director

* *For identification purpose only*

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for the purpose of inclusion in the Circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

10 December 2024

*To: The Independent Board Committee and the Independent Shareholders of
Shenzhen Neptunus Interlong Bio-Technique Company Limited*

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the transactions contemplated under the 2023 Supplemental Yidianyao Distribution Agreement (the “**2024 Yidianyao Cap Revision**”); (ii) the transactions contemplated under 2024 Yidianyao Distribution Agreement (the “**Yidianyao Sales Transactions**”); and (iii) the transactions contemplated under the 2024 Pharmaceutical Distribution Agreement (the “**Pharmaceutical Product Purchase Transactions**”, collectively with 2024 Yidianyao Cap Revision and Yidianyao Sales Transactions, the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 10 December 2024 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 15 November 2024, the Company has (a) 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; and (b) entered into the 2024 Yidianyao Distribution Agreement with Neptunus Yidianyao, 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).

On the even date, Neptunus Changjian and Neptunus Pharmaceutical entered into the 2024 Pharmaceutical Distribution Agreement to continue the purchase and distribution of pharmaceutical products from 1 January 2025 or the date of the EGM, whichever is later, to 31 December 2027 (both days inclusive).

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With reference to the Board Letter, the Transactions constitute continuing connected transactions of the Company and are subject to the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

The Independent Board Committee comprising Mr. Yick Wing Fat, Simon, Mr. Poon Ka Yeung and Mr. Zhang Jian Zhou (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as independent financial adviser in respect of the continuing connected transaction as contained in the Company's circular dated 11 January 2023. Save for the aforesaid engagement, there was no other services provided by Gram Capital to the Company during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the aforesaid past engagement, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company or any other parties that could be reasonably regarded as a hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Having considered the above and that (i) none of the circumstances as set out under the Rule 17.96 of the GEM Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagement was only an independent financial adviser engagement and will not affect our independence to act as the Independent Financial Advisers, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions

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expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 17.92 of the GEM Listing Rules.

The Circular, 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 the Circular 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 in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Neptunus Yidianyao, Neptunus Pharmaceutical or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

Background of and reasons for the Transactions

Information on the Group

With reference to the Board Letter, 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.

LETTER FROM GRAM CAPITAL

Set out below are the Group's consolidated financial information for the six months ended 30 June 2024 (with comparative figures in 2023) and the two years ended 31 December 2023 as extracted from the Company's interim report for the six months ended 30 June 2024 (the "**2024 Interim Report**") and annual report for the year ended 31 December 2023 (the "**2023 Annual Report**"):

| | For the year ended 31 December 2023 | For the year ended 31 December 2022 | Year-on-year change |
|--|--|--|--------------------------------|
| | (audited) | (audited) | |
| | <i>RMB'000</i> | <i>RMB'000</i> | % |
| Revenue | 1,064,861 | 986,691 | 7.92 |
| – <i>Manufacturing and selling of medicines</i> | 576,679 | 694,840 | (17.01) |
| – <i>Sales and distribution of medicines and healthcare products</i> | 488,182 | 291,851 | 67.27 |
| Gross profit | 447,511 | 444,142 | 0.76 |
| Profit and total comprehensive income for the year | 14,526 | 63,830 | (77.24) |

The Group's revenue and gross profit were approximately RMB1,064.9 million and approximately RMB447.5 million respectively for the year ended 31 December 2023 ("**FY2023**"), representing increases in revenue and gross profit of approximately 7.92% and approximately 0.76% respectively as compared to those for the year ended 31 December 2022 ("**FY2022**").

The Group's profit and total comprehensive income was approximately RMB14.5 million for FY2023, representing a substantial decrease of approximately 77.24% as compared to that for FY2022. With reference to 2023 Annual Report, such decrease was mainly due to the increase in other operating expenses caused by impairment of goodwill of a subsidiary of the Company and the increase in research and development fee.

| | For the six months ended 30 June 2024 | For the six months ended 30 June 2023 | Year-on-year change |
|--|--|--|--------------------------------|
| | (unaudited) | (unaudited) | |
| | <i>RMB'000</i> | <i>RMB'000</i> | % |
| Revenue | 544,504 | 555,531 | (1.98) |
| – <i>Manufacturing and selling of medicines</i> | 295,150 | 407,492 | (27.57) |
| – <i>Sales and distribution of medicines and healthcare products</i> | 249,354 | 148,039 | 68.44 |
| Gross profit | 194,966 | 245,316 | (20.52) |
| Profit and total comprehensive income for the period | 41,254 | 31,090 | 32.69 |

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The Group's revenue was approximately RMB544.5 million for the six months ended 30 June 2024 ("1H2024"), representing a slight decrease of approximately 1.98% as compared to that for the six months ended 30 June 2023 ("1H2023"). However, the Group's gross profit for 1H2024 recorded a decrease of approximately 20.52% as compared to that for 1H2023. With reference to 2024 Interim Report, such decrease in gross profit was mainly attributable to the decrease in the Group's gross profit margin caused by the change in the sales model of certain products in 1H2024.

The Group's profit and total comprehensive income for 1H2024 was approximately RMB41.3 million for 1H2024, representing an increase of approximately 32.69% as compared to that for 1H2023. With reference to 2024 Interim Report, such increase was mainly due to the decrease in selling and distribution expenses, partially offset by the decrease in gross profit for 1H2024 due to the change in the sales model of certain products in 1H2024.

A. THE 2024 YIDIANYAO CAP REVISION AND YIDIANYAO SALES TRANSACTIONS

Information on Neptunus Yidianyao

With reference to the Board Letter, 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.

Reasons for and benefits of the Yidianyao Sales Transactions and the 2024 Yidianyao Cap Revision

With reference to the Board Letter,

- (1) 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 "10M2024"), 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 ("FY2024") will not be sufficient to meet the business needs of the Company in the future.
- (2) 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 Existing Yidianyao Distribution Agreement and 2024 Yidianyao Distribution Agreement will (i)

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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.

We also searched over the internet to understand the prospect of the healthcare and pharmaceutical industry in PRC:

- For the purpose of, amongst others, modernizing drug distribution and optimising modern drug distribution system, enhancing drug distribution efficiency and promotion of high-quality development of the pharmaceutical industry, Ministry of Commerce of the PRC issued the 《商務部關於“十四五”時期促進藥品流通行業高質量發展的指導意見》 (Ministry of Commerce directional opinions on enhancing drug distribution industry high-quality development enhancement during “14th Five-year” period*) in October 2021. The opinions directed, amongst others, (i) optimisation of industrial structure; (ii) acceleration on formation of drug distribution network in the rural areas; and (iii) improvement on service capacity of drug distribution in the urban areas.
- With reference to the 《2023年藥品流通行業運行統計分析報告》 (Report on Drug Distribution Industry Operational Statistic & Analysis Report*) (the “**Report**”) published on the website of Ministry of Commerce of the PRC in August 2024, sales volume of the national drug distribution increase steadily in 2023. The Report stated that in 2023, (i) sales volume of pharmaceutical retail market was RMB640.2 billion, representing an increase of 7.6% as compared to that for the previous year after excluding incomparable factors; and (ii) sales volume of pharmaceutical wholesale market was RMB2,290.2 billion, representing an increase of 7.5% as compared to that for the previous year after excluding incomparable factors.
- With reference to the Seventh National Population Census released by National Bureau of Statistics of China in May 2021, from 2010, the proportion of “population aged 60 and over” to “total population” increased by 5.44 percentage point to 18.70% in 2020. With reference to the data released by World DataBank, life expectancy at birth in the PRC was approximately 78.6 years in 2022 (being the latest available data) as compared to that of 76.2 years in 2012. Aging population and prolonged life expectancy may drive the demand for drugs and healthcare products.

Considering the (i) the directional opinions on enhancing drug distribution issued by PRC government; (ii) the increase in the sales volume of pharmaceutical market; and (iii) aging population issue in the PRC, the demand for healthcare food products in the PRC will increase and the such market in the PRC will continue to grow.

LETTER FROM GRAM CAPITAL

As mentioned in the 2024 Interim Report, the main products distributed and sold by the Group currently are medicines and healthcare food products, which include the well-known product series of the Neptunus Ginkgo Leaves Tablets (海王银杏葉片) and Neptunus Jinzun (海王金樽). Such products are mainly distributed to the end medical institutions through professional sales promotion companies and to the end users through medium and large-sized chain pharmacies. As confirmed by the Directors, Neptunus Jinzun is one of the major distributed products under the 2024 Yidianyao Distribution Agreement.

As advised by the Directors, the revenue generated from Yidianyao Sales Transactions were accounted for the Group's revenue under the segment of sales and distribution of medicines and healthcare products. As shown in the section headed "Information on the Group" above, revenue from the sales and distribution of medicines and healthcare products recorded increases of approximately 67.27% for FY2023 (as compared to that for FY2022) and approximately 68.44% for 1H2024 (as compared to that for 1H2023). The sales and distribution of medicines and healthcare products is also a major business segment of the Group for FY2023 and 1H2024, accounting for approximately 45.84% and approximately 45.79% of the Group's revenue respectively.

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.

Having considered the above factors and our analyses on the Revised Annual Cap for FY2024, we concur with the Directors that the Yidianyao Sales Transactions and the 2024 Yidianyao Cap Revision are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

Principal terms of the Yidianyao Sales Transactions and the 2024 Yidianyao Cap Revision

Set out below are the principal terms of the Yidianyao Sales Transactions, details of which are set out under the section headed "1. The 2023 Supplemental Yidianyao Distribution Agreement and 2024 Yidianyao Distribution Agreement" of the Board Letter.

Date: 15 November 2024

Parties: The Company; and
Neptunus Yidianyao

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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 (the “**Yidianyao Products**”).

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).

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 prices and relevant terms with which such products are offered to at least two or more independent distributors, who are also customers of the Group (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 distributors. If there is no sales price of similar product in similar quantities offered by the Group to its independent customers, the sale 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 independent supplier to Yidianyao Group.

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Based on our independent research on continuing connected transactions conducted by other companies listed on the Stock Exchange involving provision of services/products by connected persons, we noted that comparing prices with those offered by independent third parties for the same/similar service/products is one of the commonly adopted pricing policies.

For our due diligence purpose, we (i) obtained from the Company a product list in relation to the sale of Yidianyao Products by the Group to Neptunus Yidianyao for 10M2024, the pricing of which were available for comparison with those supplied by the Group to independent distributors for 10M2024 as confirmed by the Directors; and (ii) randomly selected three types of products, being approximately 20% of all types of products. Upon our further request, the Company provided us with a full transaction list and we selected an individual transaction from the selected three types of products for each quarter of the first three quarters of 2024 on a random selection basis. Upon our request, the Company provided us (a) an invoice regarding the sale of such products by the Group to Neptunus Yidianyao; and (b) a corresponding invoice regarding the sale of the same products by the Group to two independent third parties. Given that (i) the number of selected types of products accounted for approximately 20% of all types of products; and (ii) selected invoices covered the period for 10M2024, we are of the view that the selected samples are fair and representative. We noted from such documents that the prices of such products sold by the Group to Neptunus Yidianyao were higher than those sold to independent third parties.

With reference to the Board Letter, 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 distributors; and (ii) to protect the interests of the Company and its Shareholders as a whole, the Company will adopt certain internal control measures, details of which are set out under the section headed “Internal Control Measures of the Proposed CCTs” of the Board Letter. Having considered that (i) there will be price monitor procedures, which will be conducted on a quarterly basis and further action may be taken; and (ii) the Group’s finance department would collect the data of the transactions to ensure that the Revised Annual Cap and Proposed Yidianyao Sales Caps are not exceeded, we are of the view that the internal control measures are sufficient to ensure (i) fair pricing of the transactions contemplated under the Yidianyao Sales Transactions are in accordance with the pricing policies; and (ii) that the relevant proposed annual caps will not be exceeded.

The consideration of food pharmaceutical products, 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.

According to ageing analysis of trade and other receivable as contained in the 2024 Interim Report and as advised by the Directors, approximately 70.9% trade and other receivable would be settled within three months, of which approximately 77.2% would be settled within two months. Accordingly, we are of the view that the payment arrangement under the Yidianyao Sales Transactions is justifiable.

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Proposed annual caps

Set out below are (i) the historical transaction amounts of the Yidianyao Sales Transactions for the two years ended 31 December 2023 and 10M2024 with previous/existing annual caps; and (ii) the Revised Annual Cap for FY2024 and the Proposed Yidianyao Sales Caps for the three years ending 31 December 2027:

| | For the year ended 31 December 2021 RMB | For the year ended 31 December 2022 RMB | For the year ended 31 December 2023 RMB | For the year ending 31 December 2024 RMB |
|--------------------------------|--|---|---|---|
| Historical transaction amounts | 10,823,000 | 13,458,000 | 14,788,000 | 9,825,792 <i>(note)</i> |
| Previous/existing annual caps | 52,000,000 | 69,000,000 | 90,000,000 | 10,000,000 |
| Utilisation rates | 20.8% | 19.5% | 16.4% | 98.3% <i>(note)</i> |
| | | For the year ending 31 December 2025 RMB | For the year ending 31 December 2026 RMB | For the year ending 31 December 2027 RMB |
| Proposed annual caps | 17,000,000 | 60,000,000 | 70,000,000 | 82,000,000 |

Note: the figure was for 10M2024.

With reference to the Board Letter, the Revised Annual Cap and Proposed Yidianyao Sales Caps were determined with reference to various factors, details of which are set out under the section headed “(D) Annual Cap(s) of 2023 Supplemental Yidianyao Distribution Agreement and the 2024 Yidianyao Distribution Agreement” of the Board Letter.

According to the above table, the annualised amounts for FY2024 (based on historical transaction amounts of approximately RMB9.8 million for 10M2024) would be approximately RMB11.8 million, which exceed the original annual cap of approximately RMB10.0 million for FY2024.

For our due diligence purpose, we obtained the calculation (the “**Yidianyao Sales Calculation**”) of the Revised Annual Cap and Proposed Yidianyao Sales Caps from the Company. After reviewing the Yidianyao Sales Calculation, we noted that (i) the Revised Annual Cap for FY2024 represented the estimated amounts of Yidianyao Sales Transactions (the “**Estimated Sales Amounts**”) for FY2024; and (ii) the Proposed Yidianyao Sales Caps for the three years ending 31 December 2027 were calculated by (a) the Estimated Sales Amounts for the three years ending 31 December 2027; and (b) a buffer of 5% in addition to (a).

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The Estimated Sales Amounts for FY2024

We noted from the Yidianyao Sales Calculation that Revised Annual Cap for FY2024 represented an increase of approximately 15.0% to the historical transaction amount of Yidianyao Sales Transactions for FY2023. Based on the historical transaction amounts for the three years ended 31 December 2023, the compound annual growth rate (“CAGR”) of historical transaction amounts for the three years ended 31 December 2023 amounted to approximately 16.9% (the “**2021 to 2023 Yidianyao Growth Rate**”). As the increase of 15.0% is close to the 2021 to 2023 Yidianyao Growth Rate of approximately 16.9%, we are of the view that the Estimated Sales Amounts for FY2024 is fair and reasonable.

The Estimated Sales Amounts for FY2025

We further noted that the Estimated Sales Amounts for FY2025 represented an implied growth rate of approximately 236.1% as compared to those for FY2024. To assess the fairness of the Estimated Sales Amounts for FY2025, in particular the significant growth in the Estimated Sales Amounts for FY2025, we conducted the following analyses:

- We discussed with the Directors for the reasons of the significant growth in the Estimated Sales Amounts for FY2025. We understood that the significant increase was due to the change of scope in authorized product list under Yidianyao Sales Transactions.

With reference to the Board Letter, the categories of pharmaceutical products sold by the Company, which has increased from approximately 15 categories under the 2023 Yidianyao Distribution Agreement to approximately 60 categories under the 2024 Yidianyao Distribution Agreement. The newly expanded product categories can be broadly classified into two types: (1) products previously sold to other distributors of the Group, but not to Yidianyao Group and (2) products that are not previously sold by Neptunus Changjian. The inclusion of these products in the 2024 Yidianyao Distribution Agreement allows the Group to leverage its existing product portfolio and extend its reach to Yidianyao Group’s distribution network. This increase in product categories will significantly enhance the Group’s sales potential.

- Upon our request, we obtained the authorized product list under the 2023 Existing Yidianyao Distribution Agreement and 2024 Yidianyao Distribution Agreement.

We noted that the number of authorized products under 2024 Yidianyao Distribution Agreement is approximately 286.7% more than the number of authorized products under 2023 Existing Yidianyao Distribution Agreement.

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The significant growth in the Estimated Sales Amounts for FY2025 (i.e. 236.1%) is lower than the increase in the number of authorized products under 2024 Yidianyao Distribution Agreement, indicating that the growth of 236.1% is not overestimated on the assumption that the average sales of each products under the new authorized product list is same as those under the existing authorized product list (Note: as there is no historical figures for the newly added types of products with Neptunus Yidianyao, we consider that it is justifiable to estimate sales of newly added types of products based on average sales of each existing product as the average sales included all those existing products with large historical sales amounts as well as small historical sales amounts).

Given our analyses above, we consider the significant growth of 236.1% as mentioned above is justifiable. As the Estimated Sales Amounts for FY2024 being fair and reasonable, we are of the view that the Estimated Sales Amounts for FY2025 is fair and reasonable.

The Estimated Sales Amounts for FY2026 and FY2027

According to the Yidianyao Sales Calculation that the Estimated Sales Amounts (i) for FY2026 represented an increase of approximately 16.7% to that for FY2025; and (ii) for FY2027 represented an increase of approximately 17.1% to that for FY2026.

Having considered that the aforesaid increase rates of approximately 16.7% and approximately 17.1% were close to the 2021 to 2023 Yidianyao Growth Rate of approximately 16.9%, we are of the view that the aforesaid increase rates (i.e. 16.7% and 17.1% respectively) are justifiable.

Based on the above, we are of the view that the Estimated Sales Amounts for FY2026 and FY2027 are fair and reasonable.

Buffer

As mentioned above, a buffer of 5% was adopted on the Estimated Sales Amounts for the three years ending 31 December 2027.

To assess the fairness and reasonableness of the buffer of approximately 5%, we searched for circulars regarding continuing connected transactions published by other Hong Kong listed companies during the period from 1 October 2024 to the Announcement Date. We noted that out of the 18 circulars published by other Hong Kong listed companies that incorporated buffer in their proposed annual caps regarding continuing connected transactions, 10 of which incorporated buffer ranging from 5% to 10% in their proposed annual caps regarding continuing connected transactions and explicitly disclosed in such circulars.

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Having considered that the additional buffers were applied for unforeseeable circumstances such as (a) the unexpected increase in demand of Products; and (b) other relevant factors such as the unexpected increase in price of Products, we also consider the buffer of 5% to be justifiable.

For the avoidance of doubt, there was no buffer for the Estimated Sales Amounts for FY2024. Given that the Revised Annual Cap shall be subject to the approval by the Independent Shareholders at the EGM (which is expected to be held on 31 December 2024), therefore it would be reasonable for not adopting buffer.

Having considered the above factors, including (i) the Estimated Sales Amounts for the four years ending 31 December 2027 being fair and reasonable; and (ii) the buffer of 5% to be justifiable and reasons for not adopting buffer on the Estimated Sales Amounts for FY2024, we are of the view that the Revised Annual Cap for FY2024 and the Proposed Yidianyao Sales Caps for the three years ending 31 December 2027 are fair and reasonable.

Shareholders should note that as the Revised Annual Cap and the Proposed Yidianyao Sales Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2027, and they do not represent forecasts of revenue/expenses/costs to be recorded/incurred from the Yidianyao Sales Transactions. Consequently, we express no opinion as to how closely the actual revenue/expenses/costs to be recorded/incurred from the Yidianyao Sales Transactions will correspond with the Revised Annual Cap and the Proposed Yidianyao Sales Caps.

Our conclusion

Having reviewed and considered the terms of the 2024 Yidianyao Cap Revision and the Yidianyao Sales Transactions in particular the key terms as listed above (including the pricing policies, the Revised Annual Cap and Proposed Yidianyao Sales Caps being fair and reasonable; and no abnormal term observed), we are of the view that the terms of the 2024 Yidianyao Cap Revision and the Yidianyao Sales Transactions are on normal commercial terms and are fair and reasonable.

B. THE PHARMACEUTICAL PRODUCT PURCHASE TRANSACTIONS

Information on Neptunus Pharmaceutical

With reference to the Board Letter, 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.

LETTER FROM GRAM CAPITAL

Reasons for and benefits of the Pharmaceutical Product Purchase Transactions

With reference to the Board Letter, 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.

As mentioned above, due to (i) the directional opinions on enhancing drug distribution issued by PRC government, (ii) the increase in the sales volume of pharmaceutical market; and (iii) aging population issue in the PRC, the demand for healthcare food products in the PRC will increase and the such market in the PRC will continue to grow.

In addition, we noted from the Report that at the end of 2023, there were 14,800 (13,900 at the end of 2022 according to the report of previous year) pharmaceutical wholesalers and 6,725 (6,650 at the end of 2022 according to the report of previous year) drug retail chain enterprises in PRC, while the number of retail drug stores reached 667,000 (623,300 at the end of 2022 according to the report of previous year), which also indicated a generally positive prospect for the sale of distribution and sale of pharmaceutical products in PRC.

As mentioned in the 2024 Interim Report, the main products distributed and sold by the Group currently are medicines and healthcare food products, which include the well-known product series of the Neptunus Ginkgo Leaves Tablets (海王银杏葉片) and Neptunus Jinzun (海王金樽). Such products are mainly distributed to the end medical institutions through professional sales promotion companies and to the end users through medium and large-sized chain pharmacies. As confirmed by the Directors, Neptunus Ginkgo Leaves Tablets is one of the major distributed products under the 2024 Pharmaceutical Distribution Agreement.

As advised by the Directors, the revenue further generated from Pharmaceutical Product Purchase Transactions (after distribution of relevant products) were accounted for the Group's revenue under the segment of sales and distribution of medicines and healthcare products. As discussed above, revenue from the sales and distribution of medicines and healthcare products recorded increase of approximately 67.27% for FY2023 (as compared to that for FY2022) and approximately 68.44% for 1H2024 (as compared to that for 1H2023). The sales and distribution of medicines and healthcare products is also the major business segment of the Group for FY2023 and 1H2024, accounting for approximately 45.84% and approximately 45.79% of the Group's revenue respectively.

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Having the above factors, we concur with the Directors that the Pharmaceutical Product Purchase Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

Principal terms of the Pharmaceutical Product Purchase Transactions

Set out below are the principal terms of the Pharmaceutical Product Purchase Transactions, details of which are set out under the section headed “2. Renewal of the 2021 Pharmaceutical Distribution Agreement” of the Board Letter.

| | |
|------------------------|---|
| Date: | 15 November 2024 |
| Parties: | Neptunus Changjian; and Neptunus Pharmaceutical |
| Subject matter: | Pursuant to the 2024 Pharmaceutical Distribution Agreement, among other things, Neptunus Changjian will purchase various pharmaceutical products (the “ Neptunus Pharmaceutical Products ”) manufactured by Neptunus Pharmaceutical and distribute such products within the PRC. |
| Term: | Subject to the fulfilment of the conditions precedent therein, the 2024 Pharmaceutical Distribution Agreement will become effective from 1 January 2025 or the date of the EGM, whichever is later, and ending on 31 December 2027 (both days inclusive). |

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.

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As mentioned above, based on our independent research on continuing connected transactions conducted by other companies listed on the Stock Exchange involving provision of services/products by connected persons, we noted that comparing prices with those offered by independent third parties for the same/similar service/products is one of the commonly adopted pricing policies.

Furthermore, we searched for Hong Kong listed companies which are principally engaged in trading of pharmaceutical products, and have more than 50% of their revenue from such businesses in aggregate based on their respective latest published full-year financial information (the “**Comparable Company(ies)**”). Set out below are our findings on the gross profit margins, which are exhaustive as far as we were aware of and are fair and representative:

| Company name (stock code) | Principal businesses | Gross profit margin |
|---|---|--------------------------------|
| Pa Shun International Holdings Limited (574) | Pharmaceutical distribution and manufacture of pharmaceutical products | 22.74% |
| Sinopharm Group Co. Ltd. (1099) | Distribution of pharmaceutical products, medical devices and health products, operation of retail pharmacies and production and sale of chemical reagents | 8.13% |
| Kingworld Medicines Group Limited (1110) | (i) Distribution sale of branded imported pharmaceutical and healthcare products; and (ii) manufacturing and sales of electrotherapeutic, physiotherapeutic devices and general medical examination devices | 26.02% |
| Shanghai Pioneer Holding Ltd (1345) | Provision of comprehensive marketing, promotion and channel management services for imported pharmaceutical products and medical devices | 42.65% |
| Universal Health International Group Holding Limited (2211) | Distribution and retail of drugs and other pharmaceutical products | 16.52% |

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| Company name (stock code) | Principal businesses | Gross profit margin |
|---|---|------------------------|
| Charmacy Pharmaceutical Co., Ltd. (2289) | (i) Distribution of western medicine, Chinese patent medicine and healthcare products to downstream distributors and retail terminals; and (ii) provision of consultation service on pharmaceutical products | 6.65% |
| New Ray Medicine International Holding Limited (6108) | Distribution and trading of pharmaceutical products and the provision of marketing and promotion services | 25.80% |
| YSB Inc. (9885) | (i) Wholesales of pharmaceutical and healthcare products offline or online through its online platform; (ii) retail of pharmaceutical and healthcare products through its retail shops; and (iii) operation of online platform that enable the pharmaceutical distributors and vendors to sell pharmaceutical and healthcare products using online platform | 10.26% |

Source: Stock Exchange's website and annual/interim reports of relevant Comparable Companies.

We noted that the gross profit margin (ranging between 40% to 45%) stated under the pricing policies of the 2024 Pharmaceutical Distribution Agreement exceeded seven over eight of the Comparable Companies in the above table. Accordingly, we consider the pricing policy (cost plus) under the 2024 Pharmaceutical Distribution Agreement is fair and reasonable.

With reference to the Board Letter, in order to ensure that (i) the terms of the 2024 Pharmaceutical Distribution Agreement are no less favourable to the Group than the terms available from independent suppliers; and (ii) to protect the interests of the Company and its Shareholders as a whole, the Company will adopt certain internal control measures, details of which are set out under the section headed "Internal Control Measures of the Proposed CCTs" of the Board Letter. Having considered that (i) there will be quotes collection procedures (from at least two independent suppliers); (ii) the aforesaid procedures will be conducted on a quarterly basis; (iii) any pricing determined using the back-extrapolated "cost plus" approach will require approval from the general manager of Neptunus Changjian; and (iv) the Group's finance department would collect the data of the transactions to ensure that the Proposed Pharmaceutical Product Purchase Caps are not exceeded, we are of the view that the internal control

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measures are sufficient to ensure that (i) fair pricing of the transactions contemplated under the Pharmaceutical Product Purchase Transactions are in accordance with the pricing policy; and (ii) the proposed annual cap will not be exceeded.

For our due diligence purpose, we (i) obtained from the Company a product list in relation to the purchase of pharmaceutical products by the Group from Neptunus Pharmaceutical during the period from 14 January 2022 to 31 October 2024; and (ii) randomly selected five types of several products, being 20% of all types of products. Upon our further request, the Company provided us with full transaction lists for the aforesaid period and we further selected an individual transaction from the selected types of products for each quarter of 2022, 2023 and 2024 on a random selection basis. Upon our request, the Company further provided us (i) an invoice for each quarter during each of FY2022, FY2023 and the period from 1 January 2024 to 31 October 2024 from the list (12 invoices in total) regarding the purchase of the selected products by the Group from Neptunus Pharmaceutical; and (ii) 12 sets of corresponding quotation documents regarding the aforesaid individual procurements by the Group from two independent third parties. Given that (i) the number of selected types of products accounted for 20% of all types of products; and (ii) selected invoices covered the period for 2022, 2023 and 10M2024, we are of the view that the selected samples are fair and representative. We noted from such documents that the prices of pharmaceutical products purchased by the Group from Neptunus Pharmaceutical were not higher than those offered by independent third parties.

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.

According to ageing analysis of trade and other payables as contained in the 2024 Interim Report and as advised by the Directors, approximately 76.4% trade payables was settled within three months, of which approximately 86.9% would be settled within two months. Accordingly, we are of the view that the payment arrangement under the Pharmaceutical Product Purchase Transactions is justifiable.

Proposed annual caps

Set out below are (i) the historical transaction amounts of the Pharmaceutical Product Purchase Transactions for the two years ended 31 December 2023 and 10M2024 with existing annual caps; and (ii) the Proposed Pharmaceutical Product Purchase Caps for the three years ending 31 December 2027:

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| | For the year ended 31 December 2022 RMB | For the year ended 31 December 2023 RMB | For the year ending 31 December 2024 RMB |
|--|---|---|---|
| Historical transaction amounts | 74,281,000 | 71,655,000 | 51,582,653 <i>(note)</i> |
| Previous/existing annual caps | 86,000,000 | 97,000,000 | 108,000,000 |
| Utilisation rates | 86.4% | 73.9% | 47.8% <i>(note)</i> |
| | For the year ending 31 December 2025 RMB | For the year ending 31 December 2026 RMB | For the year ending 31 December 2027 RMB |
| Proposed Pharmaceutical Product Purchase Caps | 103,000,000 | 123,000,000 | 147,000,000 |

Note: the figure was for 10M2024.

With reference to the Board Letter, the Proposed Pharmaceutical Product Purchase Caps were determined with reference to various factors, details of which are set out under the section headed “Annual Caps of the 2024 Pharmaceutical Distribution Agreement” of the Board Letter.

For our due diligence purpose, we obtained and reviewed the calculation of the Proposed Pharmaceutical Product Purchase Caps for the three years ending 31 December 2027. We noted from the calculation that the Proposed Pharmaceutical Product Purchase Caps were estimated based on (i) the estimated transaction amounts for the three years ending 31 December 2027; and (iii) a buffer of approximately 5%.

Based on the information provided by the Company, we noted that historical transaction amounts of Pharmaceutical Product Purchase Transaction from 2021 to 2023 remained stable at the level of approximately RMB70 million to RMB75 million. The estimated transaction amounts for FY2025 represented a CAGR of approximately 17% as compared to that for FY2023.

Estimated transaction amounts

To assess the fairness and reasonableness of the estimated transaction amount for the three years ending 31 December 2027, in particular the abovementioned increase of 17% for FY2025 (as compared to stable movement from 2021 to 2023), we conducted following analyses:

- We summarized the historical transaction amounts of the Pharmaceutical Product Purchase Transactions from 2019 to 2023.

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| | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|----------------|----------------|----------------|----------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Historical transaction amounts of the Pharmaceutical Product Purchase Transactions | 98,370 | 105,431 | 72,842 | 74,281 | 71,655 |
| Year-on-year percentage change | 14% | 7% | -31% | 2% | -4% |

According to the above table, the Group recorded a year-on-year increase of approximately 14% and approximately 7% in the historical transaction amounts of the Pharmaceutical Product Purchase Transactions for 2019 and 2020 respectively. In 2021, the historical transaction amount of the Pharmaceutical Product Purchase Transactions substantially dropped by approximately 31% as compared to that for 2020. As advised by the Directors, the aforesaid lowered growth in 2020 and turnaround from increase to decrease in 2021 were mainly due to the impact of COVID-19.

As stated in the 2023 Annual Report, in 2023, the pharmaceutical industry has gradually returned to the normal track of development following the end of COVID-19 pandemic.

Despite that COVID-19 pandemic had ended, the historical transaction amounts of the Pharmaceutical Product Purchase Transactions remained at level of RMB70 million in 2023. As advised by the Directors, in addition to the impact of COVID-19 from year 2020 to 2022, the popularity of Community Health Service Centers (社區衛生服務中心) affect the number of clients of the Group's chain pharmacies. As a result, the number of Products (which was procured by the Group according to the 2024 Pharmaceutical Distribution Agreement) to be distributed by the Group was also affected.

- As advised by the Directors, due to the policy restriction, the Group is not allowed to provide pharmaceutical products (including the Neptunus Pharmaceutical Products) to Community Health Service Centers (社區衛生服務中心) previously. However, due to that relevant policy restriction was relaxed in the middle of 2024, the Group may be allowed to provide the pharmaceutical products to Community Health Service Centers (社區衛生服務中心) since then.

Due to the above change, we summarised relevant figures in relation to Community Health Service Centers (社區衛生服務中心) as follows:

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| | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|------|------|------|------|-------|
| Number of visits in Community Health Service Centers (100 million person-times) | 8.59 | 7.55 | 8.36 | 8.33 | 10.35 |

Source: National Bureau of Statistics of China

Based on the above, number of visits in Community Health Service Centers fluctuated at level of approximately 750 million person-times to 860 million person-times from year 2019 to 2022. In 2023, such figures substantially increased by approximately 24.2% as compared to that for year 2022. We also noted an article titled “2024年1-4月全國醫療服務情況” (Statistics of National Medical Services from January 2024 to April 2024*) published on website of National Bureau of Statistics of China on 29 October 2024 that the number of visits to Community Health Service Centers for first four months ended 30 April 2024 was 356.4 million, representing a year-on-year increase of approximately 27.5%.

Despite that (i) the estimated transaction amount for FY2025 represented a CAGR of approximately 17% as compared to that for FY2023; and (ii) estimated transaction amounts for FY2026 and FY2027 represented a year-on-year growth of approximately 19% and approximately 20% respectively as compared to those for FY2025 and FY2026, having considered the above factors, in particular,

- the popularity of Community Health Service Centers (社區衛生服務中心) affected the number of clients of the Group’s chain pharmacies, which further affected number of the Neptunus Pharmaceutical Products to be distributed by the Group;
- relevant policy which restricted the Group’s supply of pharmaceutical products to Community Health Service Centers (社區衛生服務中心) was relaxed in the middle of 2024, the Group may be allowed to provide the pharmaceutical products to Community Health Service Centers (社區衛生服務中心) thereafter; and
- the number of visits in Community Health Service Centers (i) for 2023 increased by approximately 24.2% as compared to 2022; and (ii) for first four months ended 30 April 2024 represented a year-on-year increase of approximately 27.5%,

we are of the view that the implied increases as mentioned above are justifiable. Therefore, we are of the view that the estimated transaction amounts for the three years ending 31 December 2027 are fair and reasonable.

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Buffer

As mentioned above, a buffer of 5% was adopted on the estimated transaction amounts for the three years ending 31 December 2027.

Having considered that (i) our findings on the adoption of buffers by other listed companies as mentioned above; and (ii) the additional buffers were applied for unforeseeable circumstances such as (a) the unexpected increase in demand of Neptunus Pharmaceutical Products; and (b) other relevant factors such as the unexpected increase in price of Neptunus Pharmaceutical Products, we also consider the buffer of 5% to be justifiable.

Having considered the above factors, including (i) the estimated transaction amounts for the three years ending 31 December 2027 being fair and reasonable; and (ii) the buffer of 5% to be justifiable, we are of the view that the Proposed Pharmaceutical Product Purchase Caps for the three years ending 31 December 2027 are fair and reasonable.

Shareholders should note that as the Proposed Pharmaceutical Product Purchase Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2027, and they do not represent forecasts of revenue/expenses/costs to be recorded/incurred from the Pharmaceutical Product Purchase Transactions. Consequently, we express no opinion as to how closely the actual revenue/expenses/costs to be recorded/incurred from the Pharmaceutical Product Purchase Transactions will correspond with the Proposed Pharmaceutical Product Purchase Caps.

Our conclusion

Having reviewed and considered the terms of the 2024 Pharmaceutical Distribution Agreement in particular the key terms as listed above (including the pricing policies and Proposed Pharmaceutical Product Purchase Caps being fair and reasonable; and no abnormal term observed), we are of the view that the terms of the Pharmaceutical Product Purchase Transactions are on normal commercial terms and are fair and reasonable.

GEM LISTING RULES IMPLICATION

The Directors confirmed that the Company shall comply with the requirements of Rules 20.51 to 20.57 of the GEM Listing Rules pursuant to which (i) the values of the Transactions must be restricted by the proposed annual caps; (ii) the terms of the Transactions must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the Transactions must be included in the Company's subsequent published annual reports.

Furthermore, it is also required by the GEM Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Transactions (i)

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have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the Transactions; and (iv) have exceeded the proposed annual caps.

In the event that the total amounts of the Transactions are anticipated to exceeds the proposed annual caps, or that there is any proposed material amendment to the terms of the Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the GEM Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the GEM Listing Rules, we are of the view that there are adequate measures in place to monitor the Transactions and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has around 30 years of experience in investment banking industry.

* *For identification purpose only*

1. RESPONSIBILITY STATEMENT

This circular, 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:

- (1) the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive; and
- (2) there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

A. Interests and short positions of Directors and supervisors and chief executives in the Company

As at the Latest Practicable Date, the interests and short position of the Directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO including interests which they were taken or deemed to have under such provisions of the SFO, or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the shares of associated corporations of the Company:

| Director/ Supervisor | Capacity | Type of interests | Name of associated corporation | Number of shares held in associated corporation | Approximate percentage of the associated corporation's issued share capital |
|------------------------------------|------------------|-------------------|--------------------------------|---|---|
| Mr. Zhang Feng (Note (a)) | Beneficial owner | Personal | Neptunus Bio-engineering | 1,331,093 | 0.05% |
| Ms. Yu Lin (Note (b)) | Beneficial owner | Personal | Neptunus Bio-engineering | 900,000 | 0.03% |
| Mr. Zhang Xiao Guang (Note (c)) | Beneficial owner | Personal | Neptunus Bio-engineering | 430,000 | 0.02% |
| Ms. Cao Yang (Note (d)) | Beneficial owner | Personal | Neptunus Bio-engineering | 200,000 | 0.01% |

Notes:

- (a) Mr. Zhang Feng, chairman of the Board and deputy chairman of the board of directors of Neptunus Bio-engineering, was beneficially interested in approximately 0.05% of the entire issued share capital of Neptunus Bio-engineering, the Company's controlling shareholder, which in turn held directly and indirectly the beneficial interest in approximately 73.51% of the entire issued share capital of the Company, of which 70.38% was directly held and 3.13% was indirectly held through Shenzhen Neptunus Oriental Investment Company Limited ("Neptunus Oriental").
- (b) Ms. Yu Lin, non-executive Director of the Company, was beneficially interested in approximately 0.03% of the entire issued share capital of Neptunus Bio-engineering, the Company's controlling shareholder, which in turn held directly and indirectly the beneficial interest in approximately 73.51% of the entire issued share capital of the Company, of which 70.38% was directly held and 3.13% was indirectly held through Neptunus Oriental.
- (c) Mr. Zhang Xiao Guang, executive Director, was beneficially interested in approximately 0.02% of the entire issued share capital of Neptunus Bioengineering, the Company's controlling shareholder, which in turn held directly and indirectly the beneficial interest in approximately 73.51% of the entire issued share capital of the Company, of which 70.38% was directly held and 3.13% was indirectly held through Neptunus Oriental.
- (d) Ms. Cao Yang, employee representative supervisor and human resources director of the Company and vice general manager, supervisor and head of human resources of Neptunus Changjian, was beneficially interested in approximately 0.01% of the entire issued share capital of Neptunus Bio-engineering, the Company's controlling shareholder, which in turn held directly and indirectly the beneficial interest in approximately 73.51% of the entire issued capital of the Company, of which 70.38% was directly held and 3.13% was indirectly held through Neptunus Oriental.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, supervisors or chief executives of the Company nor their respective associates held any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or were required, pursuant to section 352 of the SFO to be and were recorded in the register to be kept by the Company, or were required, pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

B. Substantial Shareholders' interests in Shares and underlying Shares

So far as the Directors and supervisors of the Company are aware, as at the Latest Practicable Date, the interests and/or short positions held by Shareholders (not being a Director, a supervisor or a chief executive of the Company) in Shares or underlying Shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified to the Company were as follows:

Long positions in the Shares of the Company:

| Name of Substantial Shareholder | Capacity | Number of Domestic Shares Held | Approximate percentage of all the Domestic Shares | Approximate percentage of the Company's issued share capital |
|---|------------------------------------|--------------------------------|---|--|
| Neptunus Bio-engineering (Note (a)) | Beneficial owner | 1,181,000,000 | 94.33% | 70.38% |
| | Interest in controlled corporation | 52,464,500 | 4.19% | 3.13% |
| Shenzhen Neptunus Group Company Limited (“ Neptunus Group ”) (Note (b)) | Interest in controlled corporation | 1,233,464,500 | 98.52% | 73.51% |
| Shenzhen Neptunus Holding Group Company Limited (“ Neptunus Holding ”) (Previously known as “ Shenzhen Yinhetong Investment Company Limited ”) (Note (c)) | Interest in controlled corporation | 1,233,464,500 | 98.52% | 73.51% |
| Mr. Zhang Si Min (Note (d)) | Interest in controlled corporation | 1,233,464,500 | 98.52% | 73.51% |

Notes:

- (a) Neptunus Bio-engineering was deemed to be interested in the 52,464,500 Domestic Shares held by Neptunus Oriental as the entire issued share capital of Neptunus Oriental was beneficially owned by Neptunus Bio-engineering. Neptunus Bio-engineering was also directly interested in 1,181,000,000 Domestic Shares. Therefore, Neptunus Bio-engineering was directly and indirectly interested in 1,233,464,500 Domestic Shares.
- (b) Neptunus Group was deemed to be interested in the 1,233,464,500 Domestic Shares, which relate to the same parcel of shares referred to in note (a) above, held by Neptunus Bio-engineering as Neptunus Group was beneficially interested in approximately 44.22% of the entire issued share capital of Neptunus Bio-engineering.
- (c) Neptunus Holding was deemed to be interested in 1,233,464,500 Domestic Shares, which relate to the same parcel of shares referred to in note (a) above, held by Neptunus Bio-engineering as Neptunus Holding was beneficially interested in approximately 59.68% of the entire issued share capital of Neptunus Group, which in turn was beneficially interested in approximately 44.22% of the entire issued share capital of Neptunus Bio-engineering.
- (d) Mr. Zhang Si Min (“**Mr. Zhang**”) was deemed to be interested in 1,233,464,500 Domestic Shares, which relate to the same parcel of shares referred to in note (a) above, held by Neptunus Bio-engineering as Mr. Zhang was beneficially interested in 70% of the entire issued share capital of Neptunus Holding and the entire issued share capital of Shenzhen Haihe Investment and Development Company Limited (“**Haihe**”), which in turn was beneficially

interested in approximately 59.68% and 20% of the entire issued share capital of Neptunus Group respectively. Neptunus Group was beneficially interested in approximately 44.22% of the entire issued share capital of Neptunus Bio-engineering.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed, the Directors, supervisors and the chief executive of the Company are not aware of any other persons who, as at the Latest Practicable Date, had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

3. MATERIAL ADVERSE CHANGE

The Company was informed by Neptunus Bio-engineering that, on 28 July 2024, its controlling shareholder Neptunus Group entered into a share transfer agreement and an agreement in relation to the waiver of voting rights respectively with, among others, Textile Group. Under these agreements, upon completion, which is subject to the satisfaction of a number of conditions, including but not limited to obtaining all necessary corporate, governmental or regulatory approvals, Textile Group will acquire 315,734,800 shares of Neptunus Bio-engineering from Neptunus Group. Following the completion of such share transfer, Textile Group will be beneficially interested in approximately 12% of the entire issued share capital (excluding the repurchased shares to be cancelled) of Neptunus Bio-engineering, and the controlling shareholder of Neptunus Bio-engineering, and the actual controller of Neptunus Bio-engineering will be changed to the People's Government of Guangdong Province. On the same date, Neptunus Bio-engineering entered into a share subscription agreement with each of Textile Group and Guangxin Holdings, the controlling shareholder of Textile Group. Under these agreements, upon the satisfaction of certain conditions, including but not limited to obtaining the corporate, governmental or regulatory approvals, Textile Group and Guangxin Holdings will collectively subscribe for not more than 620,000,000 shares of Neptunus Bio-engineering. Therefore, after the share transfer and share subscription, Textile Group and Guangxin Holdings, collectively, will hold 28.78% of the entire issued share capital (excluding the repurchased shares to be cancelled) of Neptunus Bio-engineering. For details, please refer to the announcement of the Company dated 29 July 2024.

Save as disclosed, the Directors confirm that there was no material adverse change in the financial or trading position or outlook of the Group since 31 December 2023, being the date to which the latest published audited financial statements of the Group were made up.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into any service contract with any member of the Group which may not be terminated by the employer within one year without payment of any compensation (other than statutory compensation).

5. INTERESTS IN COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, controlling Shareholders, management Shareholders or substantial Shareholders of the Company or any of its respective close associates had any interest in a business that competes or might compete, either directly or indirectly, with the business of the Group or had or might have any other conflict of interests with the Group.

6. DIRECTORS' INTERESTS IN ASSETS OF THE GROUP OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest in any assets which had been, since 31 December 2023 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to, any member of the Group, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in contract or arrangement subsisting which was significant in relation to the business of the Group.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinions or advice, which are contained in this circular:

| Name | Qualification |
|----------------------|---|
| Gram Capital Limited | a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO |

As at the Latest Practicable Date, Gram Capital did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Gram Capital had given and had not withdrawn its consent to the publication of this circular with the inclusion of its letter and all reference to its name in the form and context in which it is included.

As at the Latest Practicable Date, Gram Capital did not have any interest, direct or indirect, in any assets which have been, since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up to), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

8. DOCUMENTS ON DISPLAY

Copies of the following documents are available on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (www.interlong.com) for 14 days from the date of this circular (inclusive):

- (a) the 2023 Supplemental Yidianyao Distribution Agreement;
- (b) the 2024 Yidianyao Distribution Agreement;
- (c) the 2024 Pharmaceutical Distribution Agreement;
- (d) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (e) the letter from Gram Capital, the text of which is set out in this circular;
- (f) the written consent from Gram Capital referred to in the paragraph headed “EXPERT AND CONSENT” in this Appendix; and
- (g) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of 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*) (the “**Company**”, together with its subsidiaries, the “**Group**”) will be held at 10:00 a.m. on Tuesday, 31 December 2024 at Meeting Room, 24th Floor, Neptunus Yinhe Technology Mansion, 1 Keji Middle 3rd Road, Nanshan District, Shenzhen, Guangdong Province, the People's Republic of China (the “**PRC**”), for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions.

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the form and substance of the supplemental agreement (the “**2023 Supplemental Yidianyao Distribution Agreement**”) dated 15 November 2024 entered into between the Company and 深圳市海王易點藥醫藥有限公司 (Shenzhen Neptunus Yidianyao Pharmaceutical Company Limited*) (a copy of the 2023 Supplemental Yidianyao Distribution Agreement has been produced to the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose) and all the transactions contemplated thereby be and are hereby approved, confirmed and ratified;
- (b) the proposed revision of the Existing Annual Cap to the Revised Annual Cap under the 2023 Supplemental Yidianyao Distribution Agreement for the year ending 31 December 2024 be and is hereby confirmed and approved; and
- (c) any one director of the Company (the “**Director**”) be and are hereby authorised to do all such acts and things, negotiate, approve, sign, initial, ratify and/or execute all documents which may in the opinion of the Director may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the 2023 Supplemental Yidianyao Distribution Agreement or any transactions contemplated thereunder and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents, which are not

* For identification purpose only

NOTICE OF EXTRAORDINARY GENERAL MEETING

fundamentally different from those as provided under the 2023 Supplemental Yidianyao Distribution Agreement) as are, in the opinion of the Director, in the interest of the Company and its shareholders as a whole.”

2. **“THAT**

- (a) the form and substance of the distribution agreement (the **“2024 Yidianyao Distribution Agreement”**) dated 15 November 2024 entered into between the Company and 深圳市海王易點藥醫藥有限公司 (Shenzhen Neptunus Yidianyao Pharmaceutical Company Limited*) (a copy of the 2024 Yidianyao Distribution Agreement has been produced to the meeting and marked “B” and initialled by the chairman of the meeting for identification purpose) and all the transactions contemplated thereby be and are hereby approved, confirmed and ratified;
- (b) the proposed sales caps under the 2024 Yidianyao Distribution Agreement for each of the three years ending 31 December 2025, 2026 and 2027 be and is hereby confirmed and approved; and
- (c) any one Director be and are hereby authorised to do all such acts and things, negotiate, approve, sign, initial, ratify and/or execute all documents which may in the opinion of the Director may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the 2024 Yidianyao Distribution Agreement or any transactions contemplated thereunder and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents, which are not fundamentally different from those as provided under the 2024 Yidianyao Distribution Agreement) as are, in the opinion of the Director, in the interest of the Company and its shareholders as a whole.”

3. **“THAT**

- (a) the form and substance of the distribution agreement (the **“2024 Pharmaceutical Distribution Agreement”**) dated 15 November 2024 entered into between 深圳海王長健醫藥有限公司 (Shenzhen Neptunus Changjian Pharmaceutical Company Limited*) and 深圳海王藥業有限公司 (Shenzhen Neptunus Pharmaceutical Company Limited*) (a copy of the 2024 Pharmaceutical Distribution Agreement has been produced to the meeting and marked “C” and initialled by the chairman of the meeting for identification purpose) and all the transactions contemplated thereby be and are hereby approved, confirmed and ratified;
- (b) the proposed purchase caps under the 2024 Pharmaceutical Distribution Agreement for each of the three years ending 31 December 2025, 2026 and 2027 be and is hereby confirmed and approved; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) any one Director be and are hereby authorised to do all such acts and things, negotiate, approve, sign, initial, ratify and/or execute all documents which may in the opinion of the Director may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the 2024 Pharmaceutical Distribution Agreement or any transactions contemplated thereunder and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents, which are not fundamentally different from those as provided under the 2024 Pharmaceutical Distribution Agreement) as are, in the opinion of the Director, in the interest of the Company and its shareholders as a whole.”

Please refer to the Company’s circular dated 10 December 2024 for details of the 2023 Supplemental Yidianyao Distribution Agreement, the 2024 Yidianyao Distribution Agreement and the 2024 Pharmaceutical Distribution Agreement.

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

Shenzhen, the PRC, 10 December 2024

Registered Office:
Suite 1702
Neptunus Yinhe Technology Mansion
1 Keji Middle 3rd Road
Maling Community
Yuehai Sub-district
Nanshan District, Shenzhen
The PRC

Principal Place of Business in Hong Kong:
43/F
One Taikoo Place
979 King’s Road
Quarry Bay
Hong Kong

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) A shareholder of the Company (the “**Shareholder**”) entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a Shareholder. In the case of joint holders of shares of the Company (the “**Shares**”), any one of such joint holders may sign the form of proxy. However, if more than one of such joint holders are present at the EGM, whether personally or by proxy, that one of the joint Shareholders so present whose name stands first in the register of Shareholders in respect of such Shares shall alone be entitled to vote in respect thereof.
- (2) In order to be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed or the notarised copy of such power of attorney or authority must be lodged, in the case of holders of H shares of the Company (the “**H Shares**”), with the Company’s H share registrar in Hong Kong, Tricor Investor Services Limited (the “**Company’s H Share Registrar**”), at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, and in the case of holders of domestic shares of the Company (the “**Domestic Shares**”), to the registered address of the Company at Suite 1702, Neptunus Yinhe Technology Mansion, 1 Keji Middle 3rd Road, Maling Community, Yuehai Sub-district, Nanshan District, Shenzhen, the PRC no later than 24 hours before the time appointed for the holding of the EGM (i.e. not later than 10:00 a.m. on Monday, 30 December 2024) or any adjournment thereof (as the case may be).
- (3) The Shareholders or their proxies will be required to produce proof of their identities (and a copy of the form of proxy in case of proxies) when attending the EGM.
- (4) To ascertain the Shareholders’ entitlement to attend and vote at the Meeting, the register of Shareholders of the Company will be closed from Tuesday, 24 December 2024 to Tuesday, 31 December 2024, both days inclusive, during which period no transfer of Shares will be effected. As regards holders of H Shares, in order to qualify for attendance at the EGM, all transfers of H Shares accompanied by the relevant share certificates must be lodged with the Company’s H Share Registrar, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Monday, 23 December 2024.
- (5) The EGM is expected to last for no more than a day. The Shareholders or their proxies attending the EGM shall bear their own traveling, accommodation and meal expenses.
- (6) Voting at the EGM will be conducted by way of poll.
- (7) For any enquiries about this notice, please contact the contact person of general meetings, Mr. Huang Jian Bo, at +86 755 2640 1275.
- (8) References to time and dates in this notice are to Hong Kong time and dates.

NOTICE OF EXTRAORDINARY GENERAL MEETING

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

This notice, 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 notice 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 notice misleading.

This notice 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.