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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) CONTINUING CONNECTED TRANSACTION
IN RELATION TO THE 2020 SALES MANAGEMENT SERVICE AGREEMENT
AND
(2) TERMINATION OF THE 2019 SALES MANAGEMENT SERVICE AGREEMENT

(1) 2020 SALES MANAGEMENT SERVICE AGREEMENT

The Board is pleased to announce that the Company entered into the 2020 Sales Management Service Agreement with Neptunus Pharmaceutical, a fellow subsidiary and a connected person of the Company on 8 June 2020 (after trading hours), pursuant to which the Company has agreed to provide sales management service of pharmaceutical products to Neptunus Pharmaceutical for the period from the Effective Date to 31 December 2022 (both days inclusive).

IMPLICATIONS OF THE GEM LISTING RULES

As at the date of this announcement, Neptunus Pharmaceutical is wholly-owned by Neptunus Group which in turn is the controlling shareholder of Neptunus Bio-engineering. Neptunus Bio-engineering is the controlling shareholder of the Company under the GEM Listing Rules. Therefore, Neptunus Pharmaceutical is an associate of Neptunus Bio-engineering and thus a connected person of the Company under the Rule 20.11 of the GEM Listing Rules. Accordingly, the transactions under the 2020 Sales Management Service Agreement constitutes continuing connected transactions for the Company as defined under Rules 20.29 of the GEM Listing Rules.

As all of the applicable percentage ratios calculated with reference to the highest Proposed Fee Cap are more than 0.1% but less than 5%, the 2020 Sales Management Service Agreement will be subject to reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

(2) TERMINATION OF THE 2019 SALES MANAGEMENT SERVICE AGREEMENT

Reference is made to the 2019 Sales Management Service Announcement in connection with the entering into of the 2019 Sales Management Service Agreement between Neptunus Changjian and Neptunus Pharmaceutical, pursuant to which Neptunus Changjian has agreed to provide sales management service of pharmaceutical products to Neptunus Pharmaceutical for the period from 1 January 2019 to 31 December 2021 (both days inclusive).

As the sales management service segment under the 2019 Sales Management Service Agreement will be taken over by the Company from Neptunus Changjian, the parties to the 2019 Sales Management Service Agreement has agreed to terminate the 2019 Sales Management Service Agreement with effect from the Effective Date.

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The details of the 2020 Sales Management Service Agreement are as follows:

Date

8 June 2020 (after trading hours)

Parties

- (1) the Company; and
- (2) 深圳海王藥業有限公司(Shenzhen Neptunus Pharmaceutical Company Limited*), the fellow subsidiary and a connected person of the Company.

Subject matter

Pursuant to the 2020 Sales Management Service Agreement, among other things, the Company has agreed to provide sales management service of pharmaceutical products to Neptunus Pharmaceutical (including providing promotion services, display services and information services) and is responsible for monitoring the promotional activities of the pharmaceutical products of Neptunus Pharmaceutical and the related management services.

Term

The term of the 2020 Sales Management Service Agreement is from the Effective Date to 31 December 2022 (both days inclusive).

The 2020 Sales Management Service Agreement will become effective on the date (the “**Effective Date**”) upon:

- (i) the approval of the 2020 Sales Management Service Agreement by the Board; and
- (ii) all applicable law, regulation and obligation imposed by the relevant statutory or governmental bodies having been complied with, and all necessary consents from the relevant statutory or governmental bodies having been obtained or waived.

The 2020 Sales Management Service Agreement is expected to become effective on 8 June 2020.

Pricing basis and payment terms

The sales management services fee under the 2020 Sales Management Service Agreement is determined with reference to:

- (i) the expenses incurred by the Company in providing the sales management services;
- (ii) the sales commission in promoting the pharmaceutical products in relevant provinces. The rate of commission will be depending on the difficulty of promoting the pharmaceutical products and will not be lower than the sales commission rate for comparable services.

The services fee will be settled within forty-five (45) days after the issue date of the invoice.

Annual caps

The Proposed 2020 Fee Cap, the Proposed 2021 Fee Cap and the Proposed 2022 Fee Cap (all excluding VAT) are RMB7,000,000 (approximately HK\$7,655,200), RMB8,000,000 (approximately HK\$8,748,800) and RMB9,000,000 (approximately HK\$9,842,400) respectively.

Details of the historical transaction amounts and historical fee caps are set out in the table below:

From 1 January 2019 to 31 December 2019 (RMB)		From 1 January 2020 to 31 March 2020 (RMB)	
Historical cap	Actual transaction amount (audited)	Historical cap for the year ending 31 December 2020	Actual transaction amount (unaudited)
6,000,000	5,858,500	7,000,000	750,000

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

- (i) the actual transaction amount incurred in 2019 under the 2019 Sales Management Service Agreement;
- (ii) the estimated annual growth of 10% for the demand for the sales management service provided by the Company from Neptunus Pharmaceutical, and the actual growth rate under the 2019 Sales Management Service Agreement;
- (iii) the 5% buffer in response to certain unforeseen circumstances, such as the unexpected increase in the demand for the services, the unexpected increase in the costs of providing the services and other relevant factors.

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

INTERNAL CONTROL MEASURES

In order to ensure that (i) the terms of the 2020 Sales Management Service Agreement are no more favourable than the terms offered by the Group to independent customers; and (ii) protect the interests of the Company and its Shareholders as a whole, the Company will adopt the following internal control measures regarding the Proposed CCTs:

- (a) the relevant business department of the Group would evaluate whether the services provided are at prevailing market prices under the 2020 Sales Management Service Agreement with reference to the market prices of comparable services;
- (b) the Group would monitor the Proposed CCTs in accordance with the internal control policies. The relevant business departments of the Group would review regularly whether the Proposed CCTs are implemented in accordance with the terms of the 2020 Sales Management Service Agreement. Shall there be any material change in the market price of the products or services, the parties shall negotiate to adjust the pricing policies to ensure the fairness and reasonableness of the pricing policies;

- (c) the Group's finance department would collect the data of the Proposed CCTs to ensure that the Proposed Fee Caps are not exceeded;
- (d) the Group will engage the auditors to conduct an annual review of the Proposed CCTs to opine whether the Proposed Fee Caps have been exceeded;
- (e) 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
- (f) the independent non-executive Directors would review the implementation of the Proposed CCTs annually.

The Directors consider that the above methods and procedures can ensure that the Proposed CCTs will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE 2020 SALES MANAGEMENT SERVICE AGREEMENT

Since the gradual implementation of the "one invoice system" and "two invoice system", certain pharmaceutical products of Neptunus Pharmaceutical need to be directly supplied by Neptunus Pharmaceutical to hospitals or downstream distributors. As Neptunus Pharmaceutical has no professional sales team, it requires the assistance of a third party in promoting its pharmaceutical products and providing relevant services to downstream distributors, and the Group possesses excellent sales team and rich customer resources. As such, both parties have entered into the 2020 Sales Management Service Agreement so that the Company can leverage the extensive sales network, the rich customer resources and management experience of the Group for the sales management services under the 2020 Sales Management Service Agreement and achieve the following benefits: (i) the Proposed CCTs would be mutually beneficial to the business development to both the Company and Neptunus Pharmaceutical; and (ii) the Proposed CCTs would bring a positive impact to the financial performance of the Group.

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 2020 Sales Management Service Agreement, save and except that (1) 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 (2) the non-executive Director, Ms. Yu Lin, is a director of Neptunus Pharmaceutical. In this connection, each of Mr. Zhang Feng and Ms. Yu Lin had abstained from voting on the written resolutions of the Board for approving the 2020 Sales Management Service Agreement. Having considered the above, the remaining Directors (including the independent non-executive Directors) take the view that the 2020 Sales Management Service Agreement has been: (i) entered into in the Group's ordinary and usual course of business; and (ii) on normal commercial terms determined on an arm's length basis and on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE GROUP, THE COMPANY, AND NEPTUNUS PHARMACEUTICAL

The Group is principally engaged in the research and development, manufacturing and selling of medicines, and the purchase and sales of medicines and healthcare food products in the PRC. The medicines being sold by the Group mainly cover four therapeutic areas which are oncology, cardiovascular system, respiratory system and digestive system.

The Company is a joint stock limited company established under the laws of the PRC and listed on the GEM. The Company is principally engaged in the business of consultation service in relation to bio-technology and the sales management service in relation to the sales and distribution of drugs and healthcare food products.

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.

IMPLICATIONS OF THE GEM LISTING RULES

As at the date of this announcement, Neptunus Pharmaceutical is a wholly-owned subsidiary of Neptunus Group, which in turn is the controlling shareholder of Neptunus Bio-engineering. Neptunus Bio-engineering is the controlling shareholder of the Company under the GEM Listing Rules. Therefore, Neptunus Pharmaceutical is an associate of Neptunus Bio-engineering and thus a connected person of the Company under the Rule 20.11 of the GEM Listing Rules. Accordingly, the transactions under the 2020 Sales Management Service Agreement constitute continuing connected transactions for the Company as defined under Rules 20.29 of the GEM Listing Rules.

As all of the applicable percentage ratios calculated with reference to the highest Proposed Fee Cap are more than 0.1% but less than 5%, the 2020 Sales Management Service Agreement will be subject to reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

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As the sales management service segment under the 2019 Sales Management Service Agreement will be taken over by the Company from Neptunus Changjian, the parties to the 2019 Sales Management Service Agreement has agreed to terminate the 2019 Sales Management Service Agreement with effect from the Effective Date. In addition, the Board are of the view that the termination of 2019 Sales Management Service Agreement will not cause any material adverse effect on the operation, business and financial position of the Group.

DEFINITIONS

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

“2019 Sales Management Service Announcement”	the announcement of the Company dated 28 December 2018 in respect to the 2019 Sales Management Service Agreement;
“2019 Sales Management Service Agreement”	the sales management service framework agreement entered between the Company and Neptunus Pharmaceutical on 28 December 2018 relating to provision of sales management service of pharmaceutical products by Neptunus Changjian to Neptunus Pharmaceutical;
“2020 Sales Management Service Agreement”	the sales management service framework agreement entered between the Company and Neptunus Pharmaceutical on 8 June 2020 relating to provision of sales management service of pharmaceutical products by the Company to Neptunus Pharmaceutical;
“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;
“GEM”	the GEM operated by the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Neptunus Bio-engineering”	深圳市海王生物工程股份有限公司(Shenzhen Neptunus Bio-engineering Company Limited*), a joint stock limited company established under the laws of the PRC whose shares are listed on the Shenzhen Stock Exchange;
“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 law of the PRC which is wholly-owned by the Company;
“Neptunus Group”	深圳海王集團股份有限公司(Shenzhen Neptunus Group Company Limited*), a joint stock limited company incorporated in the PRC and the controlling shareholder of Neptunus Bio-engineering;
“Neptunus Pharmaceutical”	深圳海王藥業有限公司(Shenzhen Neptunus Pharmaceutical Company Limited*), a limited liability company established under the law of the PRC which is wholly-owned by Neptunus Group;

“percentage ratio(s)”	has the meaning ascribed thereto under the GEM Listing Rules;
“PRC”	the People’s Republic of China;
“Proposed CCTs”	the transactions under the 2020 Sales Management Service Agreement;
“Proposed Fee Cap(s)”	each of, or collectively, the Proposed 2020 Fee Cap, the Proposed 2021 Fee Cap and the Proposed 2022 Fee Cap;
“Proposed 2020 Fee Cap”	the estimated maximum aggregate service amount under the 2020 Sales Management Service Agreement for the period from 1 January 2020 to 31 December 2020;
“Proposed 2021 Fee Cap”	the estimated maximum aggregate service amount under the 2020 Sales Management Service Agreement for the period from 1 January 2021 to 31 December 2021;
“Proposed 2022 Fee Cap”	the estimated maximum aggregate service amount under the 2020 Sales Management Service Agreement for the period from 1 January 2022 to 31 December 2022;
“Shareholders”	the holders of the ordinary shares of RMB0.1 each of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent

Translation of RMB into HK\$ in this announcement is based on the exchange rate of RMB1 = HK\$1.0936. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted at such or any other rates or at all.

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

Shenzhen, PRC, 8 June 2020

As at the date of this announcement, the executive Directors are Mr. Zhang Feng and Mr. Xu Yan He; the non-executive Directors are Mr. Liu Zhan Jun, Ms. Yu Lin, Mr. Song Ting Jiu and Mr. Zhao Wen Liang; and the independent non-executive Directors are Mr. Yick Wing Fat, Simon, Mr. Poon Ka Yeung and Mr. Zhang Jian Zhou.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from its date of publication and on the Company’s website at www.interlong.com.

** For identification purpose only*