

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2021
HEALTHCARE FOOD AND FOOD PURCHASE FRAMEWORK AGREEMENT;
AND
(2) CONTINUING CONNECTED TRANSACTION IN RELATION TO RENEWAL
OF DISTRIBUTION AGREEMENT**

**1. THE 2021 HEALTHCARE FOOD AND FOOD PURCHASE FRAMEWORK
AGREEMENT**

Reference is made to the announcement of the Company dated 16 September 2020 in relation to the 2020 Healthcare Food and Food Purchase Framework Agreement.

Since the commencement of the 2020 Healthcare Food and Food Purchase Framework Agreement, the healthcare food products purchased 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 2021 to 30 September 2021, the aggregate purchase amount under the 2020 Healthcare Food and Food Purchase Framework Agreement was approximately RMB21,015,800. As a result, the Board expects that the proposed annual caps for the transactions contemplated under the 2020 Healthcare Food and Food Purchase Framework Agreement for the two years ending on 31 December 2022 and 2023 will not be sufficient to meet the business needs of the Company in the future, taking into account the expected market demand of the healthcare food products under the current market condition.

Therefore, on 6 December 2021 (after trading hours) the Company has entered into the 2021 Healthcare Food and Food Purchase Framework Agreement with Neptunus Group, the controlling shareholder and a connected person of the Company, to revise the proposed annual caps for the years ending 31 December 2022 and 2023 and apply for the proposed annual cap for the year ending 31 December 2024. Under the 2021 Healthcare Food and Food Purchase Framework Agreement, the Group will purchase certain food and healthcare food products from the Intermediate Parent Group for distribution in the PRC for the period from the date on which the 2021 Healthcare Food and Food Purchase Framework Agreement is approved by the Independent Shareholders at the EGM and ending on 31 December 2024 (both days inclusive).

Upon the commencement of the term of the 2021 Healthcare Food and Food Purchase Framework Agreement, the 2020 Healthcare Food and Food Purchase Framework Agreement shall be terminated with immediate effect.

As at the date of this announcement, Neptunus Group is the controlling shareholder of Neptunus Bio-engineering, and Neptunus Bio-engineering is the controlling shareholder of the Company, which directly and indirectly holds approximately 73.51% of the entire share capital of the Company. Therefore, Neptunus Group is a connected person of the Company under Rule 20.07(1) of the GEM Listing Rules. Accordingly, the transactions under the 2021 Healthcare Food and Food Purchase Framework 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 highest Proposed Healthcare Food and Food Purchase Caps exceed 5%, the 2021 Healthcare Food and Food Purchase Framework Agreement will be subject to reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 20 of the GEM Listing Rules.

2. RENEWAL OF DISTRIBUTION AGREEMENT

Reference is made to the Company's announcement dated 12 October 2018 and circular dated 9 November 2018 in respect of the 2018 Distribution Agreement entered into between Neptunus Changjian and Neptunus Pharmaceutical in relation to the purchase of various pharmaceutical products manufactured by Neptunus Pharmaceutical for distribution in the PRC for the period from 1 January 2019 to 31 December 2021 (both days inclusive).

As the term of the 2018 Distribution Agreement will expire on 31 December 2021, on 6 December 2021, Neptunus Changjian entered into the 2021 Distribution Agreement with Neptunus Pharmaceutical to continue the purchase and distribution of pharmaceutical products.

As at the date of this announcement, Neptunus Pharmaceutical is wholly-owned by Neptunus Group which in turn is the controlling shareholder of Neptunus Bio-engineering. Neptunus Bio-engineering is the controlling shareholder of the Company under the GEM Listing Rules. Therefore, Neptunus Pharmaceutical is an associate of Neptunus Bio-engineering and thus a connected person of the Company under the Rule 20.11 of the GEM Listing Rules. Accordingly, the transactions under the 2021 Distribution Agreement constitute 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% on an annual basis, the 2021 Distribution Agreement will be subject to reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 20 of the GEM Listing Rules.

EGM

An EGM will be convened and held to approve the 2021 Healthcare Food and Food Purchase Framework Agreement, the 2021 Distribution Agreement, the Proposed Healthcare Food and Food Purchase Caps and the Proposed Pharmaceutical Product Purchase Caps. Neptunus Bio-engineering and its associates will abstain from voting at the EGM.

GENERAL

The Company has established an Independent Board Committee comprising of the three independent non-executive Directors, namely Mr. Yick Wing Fat, Simon, Mr. Poon Ka Yeung and Mr. Zhang Jian Zhou, to advise the Independent Shareholders in respect of the 2021 Healthcare Food and Food Purchase Framework Agreement, the 2021 Distribution Agreement, the Proposed Healthcare Food and Food Purchase Caps and the Proposed Pharmaceutical Product Purchase Caps. In this respect, Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders.

A circular containing, among other things, (a) further information relating to the 2021 Healthcare Food and Food Purchase Framework Agreement and 2021 Distribution Agreement; (b) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders relating to the 2021 Healthcare Food and Food Purchase Framework Agreement and the 2021 Distribution Agreement; and (c) a letter from the Independent Board Committee to the Independent Shareholders relating to the 2021 Healthcare Food and Food Purchase Framework Agreement and the 2021 Distribution Agreement will be sent to the Shareholders as soon as possible.

1. THE 2021 HEALTHCARE FOOD AND FOOD PURCHASE FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 16 September 2020 in relation to the 2020 Healthcare Food and Food Purchase Framework Agreement.

On 6 December 2021 (after trading hours) the Company has entered into the 2021 Healthcare Food and Food Purchase Framework Agreement with Neptunus Group, the controlling shareholder and a connected person of the Company, pursuant to which the Group will purchase certain food and healthcare food products from the Intermediate Parent Group for distribution in the PRC for the period from the date on which the 2021 Healthcare Food and Food Purchase Framework Agreement is approved by the Independent Shareholders at the EGM and ending on 31 December 2024 (both days inclusive).

The details of the 2021 Healthcare Food and Food Purchase Framework Agreement are as follows:

Date

6 December 2021

Parties

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

Subject Matter

Pursuant to the 2021 Healthcare Food and Food Purchase Framework Agreement, among other things, the Group will purchase certain food and healthcare food products from the Intermediate Parent Group for distribution in the PRC.

Term

The 2021 Healthcare Food and Food Purchase Framework Agreement will become effective from the date on which it is approved by the Independent Shareholders at the EGM and ending on 31 December 2024 (both days inclusive).

Conditions Precedent

The transactions contemplated under the 2021 Healthcare Food and Food Purchase Framework 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 2021 Healthcare Food and Food Purchase Framework Agreement, purchase prices of food and healthcare food products shall be agreed between the parties on an arm's length basis through negotiations with reference to the following basis:

In the case where there are similar products in the market, the purchase prices of food and healthcare food 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.

In the case where there are no similar products in the market:

- (i) where the Intermediate Parent Group supplies the relevant food and healthcare food products to the Group non-exclusively, the purchase prices of food and healthcare food products offered to the Group shall not be higher than the purchase prices of similar products in similar quantities offered by the Intermediate Parent Group to other independent customers; and
- (ii) where the Intermediate Parent Group supplies the relevant food and healthcare food products to the Group exclusively, the purchase prices of food and healthcare food products offered to the Group shall not be higher than the purchase prices set by the Group. Such purchase prices set by the Group would be determined with reference to the Group's distribution prices of similar products offered to its independent customers and its historical gross profit margin of such similar products.

The consideration of food and healthcare food products purchased by the Group shall be settled within sixty (60) days after the issue date of the invoice or the receipt of food and healthcare food products, whichever is earlier.

Annual Caps

The Proposed Healthcare Food and Food Purchase Caps for each of the years ending 31 December 2022, 2023 and 2024 are RMB35,000,000, RMB42,000,000 and RMB50,000,000, respectively.

Details of the historical transaction amounts and historical purchase caps under the 2017 Healthcare Food and Food Purchase Framework Agreement and 2020 Healthcare Food and Food Purchase Framework Agreement are set out in the table below:

For the year ended 31 December 2019 (RMB)		For the year ended 31 December 2020 (RMB)		For nine months ended 30 September 2021 (RMB)	For the year ending 31 December 2021 (RMB)
Historical transaction amount (audited)	Historical purchase cap	Historical transaction amount (audited)	Historical purchase cap	Historical transaction amount (unaudited)	Historical purchase cap
27,829,800	36,000,000	27,569,000	47,000,000	21,015,800	25,000,000

In arriving at the Proposed Healthcare Food and Food Purchase Caps, the Directors have considered the following factors:

- (i) the unaudited historical purchase amount under the 2020 Healthcare Food and Food Purchase Framework Agreement during the period from 1 January 2021 to 30 September 2021;
- (ii) the estimated annual growth rate of 18% of the demand of the Group for food and healthcare food products, which is based on the actual growth rate of 23.37% of the historical purchase amount under 2017 Healthcare Food and Food Purchase Framework Agreement from 2018 to 2019; and
- (iii) a buffer of 5% to cover the unforeseen circumstances, for instance, an unexpected increase in the demand for the food and healthcare food products and other relevant factors, etc. for the transactions in 2022.

The transaction amounts for 2020 were not taken into consideration by the Directors as the market was adversely affected by the outbreak of the COVID-19. For the nine months ended 30 September 2021, the Group has seen an increase in the demand for food and healthcare food products due to the market recovery from COVID-19. However, the Directors have been monitoring the transaction amounts of the continuing connected transactions under the 2020 Healthcare Food and Food Purchase Framework Agreement. As at the date of this announcement, the existing annual cap for the continuing connected transactions for the year ending 31 December 2021 has not been exceeded. The Directors expects that the actual transaction amounts will not exceed the existing annual cap for the continuing connected transactions under the 2020 Healthcare Food and Food Purchase Framework Agreement or the year ending 31 December 2021.

If the transaction amounts under the 2021 Healthcare Food and Food Purchase Framework Agreement are expected to exceed the Proposed Healthcare Food and Food Purchase Caps, the Company will re-comply with the requirements under Chapter 20 of the GEM Listing Rules.

Termination of the 2020 Healthcare Food and Food Purchase Framework Agreement

Upon the commencement of the term of the 2021 Healthcare Food and Food Purchase Framework Agreement, the 2020 Healthcare Food and Food Purchase Framework Agreement shall be terminated with immediate effect.

2. RENEWAL OF DISTRIBUTION AGREEMENT

Reference is made to the Company's announcement dated 12 October 2018 and circular dated 9 November 2018 in respect of the 2018 Distribution Agreement entered into between Neptunus Changjian and Neptunus Pharmaceutical in relation to the purchase of various pharmaceutical products manufactured by Neptunus Pharmaceutical for the period from 1 January 2019 to 31 December 2021 (both days inclusive).

As the term of the 2018 Distribution Agreement will expire on 31 December 2021, on 6 December 2021, Neptunus Changjian and Neptunus Pharmaceutical entered into the 2021 Distribution Agreement to continue the purchase and distribution of pharmaceutical products.

2021 DISTRIBUTION AGREEMENT

The details of the 2021 Distribution Agreement are as follows:

Date

6 December 2021

Parties

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

Subject Matter

Pursuant to the 2021 Distribution Agreement, among other things, Neptunus Changjian will purchase various pharmaceutical products manufactured by Neptunus Pharmaceutical and distribute such products within the PRC.

Term

The 2021 Distribution Agreement will become effective from the date on which it is approved by the Independent Shareholders at the EGM and ending on 31 December 2024 (both days inclusive).

Conditions Precedent

The transactions contemplated under the 2021 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 2021 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.

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 2021 Distribution Agreement are arrived at after arm's length negotiations between Neptunus Changjian and Neptunus Pharmaceutical.

Annual Caps

The Proposed Pharmaceutical Product Purchase Caps for each of the years ending 31 December 2022, 2023 and 2024 are RMB86,000,000, RMB97,000,000 and RMB108,000,000, respectively.

Details of the historical transaction amounts and historical purchase caps under the 2018 Distribution Agreement are set out in the table below:

For the year ended 31 December 2019 (RMB)		For the year ended 31 December 2020 (RMB)		For the nine months ended 30 September 2021 (RMB)	For the year ending 31 December 2021 (RMB)
Historical transaction amount (audited)	Historical purchase cap	Historical transaction amount (audited)	Historical purchase cap	Historical transaction amount (unaudited)	Historical purchase cap
98,370,300	110,000,000	105,431,000	140,000,000	50,148,000	180,000,000

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

- (i) Historical transaction amounts for purchasing medicines from Neptunus Pharmaceutical under the 2018 Distribution Agreement for the years ended 31 December 2019, 2020 and for the nine months ended 30 September 2021; and the expectation that the fourth quarter of 2021 will be the peak season for sales of each type of pharmaceutical products which are the subject matters of the 2021 Distribution Agreement;
- (ii) the estimated annual growth rate of 12% of the demand of the Group for pharmaceutical products, which is based on the historical transaction amount for 2019, 2020 and 2021, and taking into account of the actual growth rate of the historical transactions amounts from 2018 to 2021 under the 2018 Distribution Agreement; and
- (iii) a buffer of 5% to cover the unforeseen circumstances, for instance, an unexpected increase in the demand for the pharmaceutical products and other relevant factors, etc. for the transactions in 2022.

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

In order to ensure that (i) the terms of the 2021 Healthcare Food and Food Purchase Framework Agreement are no less favourable to the Group than the terms available from independent suppliers; (ii) the terms of the 2021 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 2021 Healthcare Food and Food Purchase Framework Agreement:

- (i) In the case where there are similar products in the market:
 - The prices of food and healthcare food products would be determined with reference to the prevailing market prices of similar products agreed by both parties after arm's length negotiation. In order to obtain the prevailing market price, relevant departments of the Group will obtain quotes from at least two independent suppliers which are as established as, and of similar scale with the Intermediate Parent Group on a quarterly basis for similar products; and

- 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 Intermediate Parent Group is higher than that offered by other independent suppliers and/or the terms of a product offered by the Intermediate Parent Group 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 to evaluate whether the Group should continue to purchase such product from the Intermediate Parent Group or amend the relevant terms, with reference to factors such as the corporate background of such supplier, its reputation and reliability, and its ability to conduct the transaction in accordance with the terms of the agreement provided by it.

(ii) In the case where there are no similar products in the market:

- If the Intermediate Parent Group also supplies the relevant food and healthcare food products to other independent customers, the prices of such products should not be higher than the prices of similar products in similar quantities offered by the Intermediate Parent Group to its independent customers. The Group will monitor this type of transaction by collecting documents from the Intermediate Parent Group on a quarterly basis, evidencing the sales prices of the products that are offered by the Intermediate Parent Group to its independent customers;
- If at any time the relevant departments of the Group find out that in respect of a transaction, the Intermediate Parent Group offers lower price and/or more favourable terms in respect of a product to its independent customers, such findings shall be reported to the general manager of the Company or the relevant subsidiary of the Group for review. The relevant general manager shall then discuss with one of the Directors to evaluate whether the Group should continue to purchase such product from the Intermediate Parent Group or amend relevant terms, provided that the terms of purchase made by the Group and the independent customers of the Intermediate Parent Group or its customers are similar; and
- If the Intermediate Parent Group only supplies the relevant food and healthcare food products to the Group, the prices of such products should not be higher than the purchase prices set by the Group. Such purchase prices set by the Group would be determined with reference to the Group's distribution prices of similar products offered to its independent customers and its historical gross profit margin of such similar products. The Group will monitor this type of transaction by evaluating its average distribution price of the products offered to its independent customers on a quarterly basis. If at any time the Intermediate Parent Group reject to accept the purchase price made by the Group for a product, the general manager of the Company or the relevant subsidiary of the Group shall then discuss with one of the Directors to evaluate whether the Group should continue to purchase such product from the Intermediate Parent Group or whether the Group should increase the sales price of such product.

(b) In relation to the 2021 Distribution Agreement:

- (i) The Group will compare the price of the products offered by Neptunus Pharmaceutical with that offered by independent suppliers. In order to obtain the prevailing market prices, relevant departments of the Group will obtain quotes with same sales terms from at least two independent suppliers which are as established as, and of similar scale with Neptunus Pharmaceutical on a quarterly basis for similar products. The quotes obtained from independent suppliers are usually applicable for purchase made within 30 days from the date of the quotes. However, there will not be substantial price fluctuation within a quarter. The relevant departments of the Group will compare the quotations of which the products to be sold to the Group by the independent suppliers are of similar quality and quantity with the same sale terms, the final purchase price will be determined based on the lowest quotation obtained from the independent suppliers.
 - (ii) 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 independent non-executive Directors and 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.
- (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 2021 Healthcare Food and Food Purchase Framework Agreement or the 2021 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 the Proposed Healthcare Food and Food Purchase 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 Proposed Healthcare Food and Food Purchase Caps and the Proposed Pharmaceutical Product Purchase Caps have been exceeded;

- (f) the Company's audit committee would review the implementation of the Proposed CCTs and review the report in relation to the Proposed CCTs prepared by the management of the Group, in order to evaluate comprehensiveness and effectiveness of the Group's internal control measures on Proposed CCTs; and
- (g) the independent non-executive Directors would review the implementation of the Proposed CCTs annually.

Taking into account that: (i) the above methods and procedures comprise the necessary components of an internal control system with designated department and responsible officer, clear approval process and monitoring system and detailed and explicit assessment criteria; and (ii) the abovementioned review procedures and approval process against the detailed assessment criteria can ensure that the transactions will be executed in compliance with the pricing principles stipulated in the 2021 Healthcare Food and Food Purchase Framework Agreement and the 2021 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 OF THE 2021 HEALTHCARE FOOD AND FOOD PURCHASE FRAMEWORK AGREEMENT

Since the commencement of the 2020 Healthcare Food and Food Purchase Framework Agreement, the healthcare food products purchased 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 2021 and 30 September 2021, the aggregate purchase amount under the 2020 Healthcare Food and Food Purchase Framework Agreement was approximately RMB21,015,800.

Considering the (i) aging population issue in the PRC; (ii) the increase in the number of people in the PRC becoming aware of the importance of good health; and (iii) the promulgation of the Outline of "Healthy China 2030" Plan (「健康中國2030」規劃綱要), the demand for healthcare food products in the PRC will increase and the such market in the PRC will continue to grow. The Board expects that the annual caps under the 2020 Healthcare Food and Food Purchase Framework Agreement for each of the years ending 31 December 2022 and 2023 will not be sufficient to meet the needs of the Company in the future, taking into account the expected market demand of the healthcare food products under the current market condition. Furthermore, considering the fact the Intermediate Parent Group has the expertise and experience in manufacturing of the healthcare food products and has a good reputation, the Board believes that it is in the interest of the Company to continue to co-operate with the Intermediate Parent Group for the year ending on 31 December 2024. Accordingly, the Board proposed to enter into the 2021 Healthcare Food and Food Purchase Framework Agreement to revise the proposed annual caps for the years ending 31 December 2022 and 2023 and apply for the proposed annual cap for the year ending 31 December 2024, as it believes this will bring the Group higher operating revenues and have a positive impact on the profitability 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 transaction contemplated under the 2021 Healthcare Food and Food Purchase Framework 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 2021 Healthcare Food and Food Purchase Framework Agreement. Having considered the above, the remaining Directors (other than the independent non-executive Directors who will express their views after considering the advice from the Independent Financial Adviser) take the view that the 2021 Healthcare Food and Food Purchase Framework Agreement has been: (i) entered into in the Group's ordinary and usual course of business; and (ii) on normal commercial terms determined on an arm's length basis and the terms of the 2021 Healthcare Food and Food Purchase Framework Agreement (including the Proposed Healthcare Food and Food Purchase 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 OF THE 2021 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 drugs and healthcare food. The Board considers that the entering into of the 2021 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 2021 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 Ms. Yu Lin who is also a director of Neptunus Pharmaceutical. In this connection, Mr. Zhang Feng and Ms. Yu Lin had abstained from voting on the written resolutions of the Board for approving the 2021 Distribution Agreement. Having considered the above, the remaining Directors (other than the independent non-executive Directors who will express their views after considering the advice from the Independent Financial Adviser) take the view that the 2021 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 2021 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.

INFORMATION ON THE GROUP, NEPTUNUS GROUP, NEPTUNUS CHANGJIAN AND NEPTUNUS PHARMACEUTICAL

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

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

Neptunus Changjian is a limited liability company established under the laws of the PRC and is a wholly-owned subsidiary of the Company. Neptunus Changjian is principally engaged in the business of sales and distribution of drugs, 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.

IMPLICATIONS OF THE GEM LISTING RULES

As at the date of this announcement, Neptunus Group is the controlling shareholder of Neptunus Bio-engineering, and Neptunus Bio-engineering is the controlling shareholder of the Company, which directly and indirectly holds approximately 73.51% of the entire share capital of the Company. Therefore, Neptunus Group is a connected person of the Company under Rule 20.07(1) of the GEM Listing Rules. Accordingly, the transactions under the 2021 Healthcare Food and Food Purchase Framework Agreement constitutes continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

As at the date of this announcement, Neptunus Pharmaceutical is wholly-owned by Neptunus Group which in turn is the controlling shareholder of Neptunus Bio-engineering. Neptunus Bio-engineering is the controlling shareholder of the Company under the GEM Listing Rules. Therefore, Neptunus Pharmaceutical is an associate of Neptunus Bio-engineering and thus a connected person of the Company under the Rule 20.11 of the GEM Listing Rules. Accordingly, the transactions under the 2021 Distribution Agreement constitutes continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

As certain applicable percentage ratios calculated with reference to the highest Proposed Healthcare Food and Food Purchase Caps exceed 5%, the 2021 Healthcare Food and Food Purchase Framework Agreement will be subject to reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 20 of the GEM Listing Rules.

As all the applicable percentage ratios for the Proposed Pharmaceutical Product Purchase Caps exceed 5% on an annual basis, the 2021 Distribution Agreement will be subject to reporting, announcement and independent Shareholders' approval requirements pursuant to Chapter 20 of the GEM Listing Rules.

EGM

An EGM will be convened and held to approve the 2021 Healthcare Food and Food Purchase Framework Agreement, the 2021 Distribution Agreement, the Proposed Healthcare Food and Food Purchase Caps and the Proposed Pharmaceutical Product Purchase Caps. Neptunus Bio-engineering and its associates will abstain from voting at the EGM.

GENERAL

The Company has established an Independent Board Committee comprising of the three independent non-executive Directors, namely Mr. Yick Wing Fat, Simon, Mr. Poon Ka Yeung and Mr. Zhang Jian Zhou, to advise the Independent Shareholders in respect of the 2021 Healthcare Food and Food Purchase Framework Agreement, the 2021 Distribution Agreement, the Proposed Healthcare Food and Food Purchase Caps and the Proposed Pharmaceutical Product Purchase Caps. In this respect, Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders.

A circular containing, among other things, (a) further information relating to the 2021 Healthcare Food and Food Purchase Framework Agreement and the 2021 Distribution Agreement; (b) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders relating to the 2021 Healthcare Food and Food Purchase Framework Agreement and the 2021 Distribution Agreement; and (c) a letter from the Independent Board Committee to the Independent Shareholders relating to the 2021 Healthcare Food and Food Purchase Framework Agreement and the 2021 Distribution Agreement will be sent to the Shareholders as soon as possible.

DEFINITIONS

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

“2017 Healthcare Food and Food Purchase Framework Agreement”	the purchase framework agreement dated 17 October 2017 entered into between the Company and Neptunus Group pursuant to which the Group will purchase certain food and healthcare food products from the Intermediate Parent Group for distribution in the PRC for the period from 1 January 2018 to 31 December 2020;
--	---

“2018 Distribution Agreement”	the distribution agreement entered into between Neptunus Changjian and Neptunus Pharmaceutical on 12 October 2018 relating to the purchase of various pharmaceutical products manufactured by Neptunus Pharmaceutical for distribution in the PRC for the period from 1 January 2019 to 31 December 2021;
“2020 Healthcare Food and Food Purchase Framework Agreement”	the purchase framework agreement dated 16 September 2020 entered into between the Company and Neptunus Group pursuant to which the Group will purchase certain food and healthcare food products from the Intermediate Parent Group for distribution in the PRC for the period from 1 January 2021 to 31 December 2023;
“2021 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 Distribution Agreement is approved by the Independent Shareholders at the EGM and ending on 31 December 2024 (both days inclusive);
“2021 Healthcare Food and Food Purchase Framework Agreement”	the purchase framework agreement entered into between the Company and Neptunus Group on 6 December 2021 (after trading hours) pursuant to which the Group will purchase certain food and healthcare food products from the Intermediate Parent Group for distribution in the PRC for the period from the date on which the 2021 Healthcare Food and Food Purchase Framework Agreement is approved by the Independent Shareholders at the EGM and ending on 31 December 2024 (both days inclusive);
“associate”	has the meaning ascribed thereto under the GEM Listing Rules;
“Board”	the board of Directors;
“Company”	深圳市海王英特龍生物技術股份有限公司 (Shenzhen Neptunus Interlong Bio-technique Company Limited*), whose H shares are listed on GEM;
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules;
“controlling shareholder”	has the meaning ascribed thereto under the GEM Listing Rules;
“Director(s)”	the director(s) of the Company;

“EGM”	an extraordinary general meeting of the Company to be held to consider and approve by poll, among other things, the 2021 Healthcare Food and Food Purchase Framework Agreement, the 2021 Distribution Agreement, the Proposed Healthcare Food and Food Purchase Cap and the Proposed Pharmaceutical Products Purchase Caps;
“GEM”	GEM of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Intermediate Parent Group”	collectively Neptunus Group and its subsidiaries (excluding the Group), or any one of them;
“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 2021 Healthcare Food and Food Purchase Framework Agreement, the 2021 Distribution Agreement, the Proposed Healthcare Food and Food Purchase Caps and the Proposed Pharmaceutical Product Purchase Caps;
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2021 Healthcare Food and Food Purchase Framework Agreement, the 2021 Distribution Agreement, the Proposed Healthcare Food and Food Purchase Caps and the Proposed Pharmaceutical Product Purchase Caps;
“Independent Shareholders”	Shareholder(s) other than Neptunus Bio-engineering and any of its associates;

“Licences”	certain licences and certificates held by Neptunus Changjian in relation to sales and distribution of drugs and health supplements and food, including the drugs operation licences(藥品經營許可證), the hygiene certificate for healthcare food operation enterprises(保健食品經營企業衛生許可證), the food hygiene certificate(食品衛生許可證), the medical equipment operation corporate licence(醫療器械經營企業許可證) and the GSP certificate(藥品經營質量管理規範認證證書);
“Neptunus Bio-engineering”	深圳市海王生物工程股份有限公司 (Shenzhen Neptunus Bio-engineering Company Limited*), a joint stock limited company established under the laws of the PRC whose shares are listed on the Shenzhen Stock Exchange;
“Neptunus Changjian”	深圳海王長健醫藥有限公司 (Shenzhen Neptunus Changjian Pharmaceutical Company Limited*), a limited liability company established under the laws of the PRC which is wholly-owned by the Company;
“Neptunus Group”	深圳海王集團股份有限公司 (Shenzhen Neptunus Group Company Limited*), a joint stock limited company incorporated in the PRC and the controlling shareholder of Neptunus Bio-engineering;
“Neptunus Pharmaceutical”	深圳海王藥業有限公司 (Shenzhen Neptunus Pharmaceutical Company Limited*), a limited liability company established under the laws of the PRC which is wholly-owned by Neptunus Group;
“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 2021 Healthcare Food and Food Purchase Framework Agreement and the 2021 Distribution Agreement;
“Proposed Healthcare Food and Food Purchase Cap(s)”	the estimated maximum aggregate purchase amount under the 2021 Healthcare Food and Food Purchase Framework Agreement for each of the years ending 31 December 2022, 2023 and 2024;
“Proposed Pharmaceutical Product Purchase Cap(s)”	the estimated maximum aggregate purchase amount under the 2021 Distribution Agreement for each of the years ending 31 December 2022, 2023 and 2024;
“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; and
“%”	per cent.

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

Shenzhen, the PRC, 6 December 2021

As at the date of this announcement, the executive Directors are Mr. Zhang Feng and Mr. Huang Jian Bo; the non-executive Directors are Mr. Zhang Yi Fei, Ms. Yu Lin, Mr. Shen Da Kai and Mr. Xu Yan He; 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