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深圳市海王英特龍生物技術股份有限公司

SHENZHEN NEPTUNUS INTERLONG BIO-TECHNIQUE COMPANY LIMITED*

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 8329)

**CONTINUING CONNECTED TRANSACTIONS IN RELATION TO TWO
FRAMEWORK AGREEMENTS AND TERMINATION OF THE EXISTING
HANGZHOU NEPTUNUS HEALTHCARE FOOD FRAMEWORK AGREEMENT**

FRAMEWORK AGREEMENTS

The Board is pleased to announce that the Company entered into (i) the Healthcare Food and Food Purchase Framework Agreement with Neptunus Group, the controlling shareholder and a connected person of the Company on 17 October 2017 (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 1 January 2018 to 31 December 2020 (both days inclusive); and (ii) the Nepstar Distribution Agreement with Nepstar, a connected person of the Company on 17 October 2017 (after trading hours) pursuant to which the Group will provide pharmaceutical products, food and healthcare food products to Nepstar Group for it to distribute within the PRC for the period from 1 January 2018 to 31 December 2020 (both days inclusive).

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, directly and indirectly holding 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 of the GEM Listing Rules. Accordingly, the Healthcare Food and Food Purchase Framework Agreement constitutes a continuing connected transaction for the Company as defined under Rule 20.29 of the GEM Listing Rules.

As at the date of this announcement, Nepstar is indirectly held as to 100% by Mr. Zhang Si Min, the brother of one of the executive Directors, Mr. Zhang Feng, Nepstar is an associate of Mr. Zhang Feng and thus a connected person of the Company under Rule 20.07 of the GEM Listing Rules. Accordingly, the Nepstar Distribution Agreement constitutes a continuing connected transaction for the Company as defined under Rule 20.29 of the GEM Listing Rules.

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

As certain applicable percentage ratios calculated with reference to the highest Proposed Sales Cap exceed 5%, the Nepstar Distribution Agreement will be subject to reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

EGM

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

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 Healthcare Food and Food Purchase Framework Agreement, the Nepstar Distribution Agreement and the relevant annual 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 Healthcare Food and Food Purchase Framework Agreement and the Nepstar Distribution Agreement; (b) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders relating to the Healthcare Food and Food Purchase Framework Agreement and the Nepstar Distribution Agreement; and (c) a letter from the Independent Board Committee to the Independent Shareholders relating to the Healthcare Food and Food Purchase Framework Agreement and the Nepstar Distribution Agreement, will be sent to the Shareholders as soon as possible.

TERMINATION OF THE EXISTING HANGZHOU NEPTUNUS HEALTHCARE FOOD FRAMEWORK AGREEMENT

On 17 October 2017, the Company and Neptunus Group mutually agreed to procure its respective wholly-owned subsidiaries namely, Neptunus Changjian and Hangzhou Neptunus, to terminate the Existing Hangzhou Neptunus Healthcare Food Framework Agreement with effect from 1 January 2018, subject to the Independent Shareholders approving the Healthcare Food and Food Purchase Framework Agreement.

The Directors confirmed that none of the parties is required to pay to the other party any penalty and/or compensation in respect of the Termination.

As the continuing connected transactions contemplated under the Existing Hangzhou Neptunus Healthcare Food Framework Agreement will be terminated (subject to condition(s)), the Company is subject to the announcement requirement under Rule 20.33 of the GEM Listing Rules.

FRAMEWORK AGREEMENTS

The Board is pleased to announce that the Company entered into (i) the Healthcare Food and Food Purchase Framework Agreement with Neptunus Group, the controlling shareholder and a connected person of the Company on 17 October 2017 (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 1 January 2018 to 31 December 2020 (both days inclusive); and (ii) the Nepstar Distribution Agreement with Nepstar, a connected person of the Company on 17 October 2017 (after trading hours) pursuant to which the Group will provide pharmaceutical products, food and healthcare food products to Nepstar Group for it to distribute within the PRC for the period from 1 January 2018 to 31 December 2020 (both days inclusive).

I. THE HEALTHCARE FOOD AND FOOD PURCHASE FRAMEWORK AGREEMENT

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

Date

17 October 2017

Parties

- (1) The Company
- (2) Neptunus Group

Subject matter

Pursuant to the 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 (the “**Healthcare Food Products**”) for distribution in the PRC.

Term

The term of the Healthcare Food and Food Purchase Framework Agreement is from 1 January 2018 to 31 December 2020 (both days inclusive). The Healthcare Food and Food Purchase Framework Agreement will become effective on 1 January 2018 upon the approval by the Independent Shareholders at the EGM.

Pricing basis and payment terms

Pursuant to the Healthcare Food and Food Purchase Framework Agreement, purchase prices of the Healthcare Food Products are not fixed. The purchase prices shall be agreed between the parties on an arm's length basis through negotiations with reference to the then prevailing market prices of similar products (if applicable).

In the case where there are similar products in the market, the purchase prices of the 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 Healthcare Food Products to the Group non-exclusively, the purchase prices of the 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 Healthcare Food Products to the Group exclusively, the purchase prices of the 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.

For the internal control measures implemented by the Company to ensure that the terms of the Healthcare Food and Food Purchase Framework Agreement are no less favourable to the Group than the terms available from independent third parties, please refer to the section headed "Internal Control Measures" in this announcement.

The consideration of the 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 the Healthcare Food Products, whichever is earlier.

Annual caps

The Proposed 2018 Purchase Cap, the Proposed 2019 Purchase Cap and the Proposed 2020 Purchase Cap are RMB28,000,000 (approximately HK\$33,453,000), RMB36,000,000 (approximately HK\$43,011,000) and RMB47,000,000 (approximately HK\$56,513,000), respectively.

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

- (a) as more people in the PRC are aware of the importance of good health, the healthcare food retail market remains optimistic. The number of the Intermediate Parent Group's healthcare food and food products and categories distributed by the Group have been increasing in recent years. It is expected that the demand of the Group for the Healthcare Food Products will continue to increase;
- (b) the audited historical transaction amounts under the Previous Hangzhou Neptunus Healthcare Food Distribution Agreement, the Existing Jiankang Distribution Agreement, the Existing Hangzhou Neptunus Healthcare Food Framework Agreement and other de minimis transactions for the purchase of healthcare food and food products between the Group and Neptunus Group's subsidiaries for the financial year ended 31 December 2015 and the financial year ended 31 December 2016 have increased by approximately 38.8%. In addition, for the eight months ended 31 August 2017, the unaudited historical transaction amount under the Existing Jiankang Distribution Agreement, the Existing Hangzhou Neptunus Healthcare Food Framework Agreement and other de minimis transactions for the purchase of healthcare food and food products between the Group and Neptunus Group's subsidiaries was approximately RMB12,605,000 (approximately HK\$15,060,000). Therefore, it is expected that the demand for Healthcare Food Products will continue to grow; and
- (c) the historical transaction amounts and the historical purchase caps for the continuing connected transactions under the Previous Hangzhou Neptunus Healthcare Food Distribution Agreement, the Existing Jiankang Distribution Agreement and the Existing Hangzhou Neptunus Healthcare Food Framework Agreement and other de minimis transactions for the purchase of healthcare food and food products between the Group and Neptunus Group's subsidiaries.

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

Period ended 31 December 2015		Year ended 31 December 2016		Eight months ended 31 August 2017	Year ending 31 December 2017
Historical transaction amount (approximate) (audited)	Historical purchase cap	Historical transaction amount (approximate) (audited)	Historical purchase cap	Historical transaction amount (approximate) (unaudited)	Historical purchase cap
RMB9,729,000 (approximately HK\$11,624,000)	RMB12,500,000 (approximately HK\$14,934,000)	RMB13,502,000 (approximately HK\$16,131,000)	RMB19,500,000 (approximately HK\$23,297,000)	RMB12,605,000 (approximately HK\$15,060,000)	RMB23,500,000 (approximately HK\$28,076,000)

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

II. THE NEPSTAR DISTRIBUTION AGREEMENT

The details of the Nepstar Distribution Agreement are as follows:

Date

17 October 2017

Parties

(1) The Company

(2) Nepstar

Subject matter

Pursuant to the Nepstar Distribution Agreement, among other things, the Group will provide pharmaceutical products, food and healthcare food products to Nepstar Group for it to distribute within the PRC.

Term

The term of the Nepstar Distribution Agreement is from 1 January 2018 to 31 December 2020 (both days inclusive). The Nepstar Distribution Agreement will become effective on 1 January 2018 upon the approval by the Independent Shareholders at the EGM.

Pricing basis and payment terms

Pursuant to the Nepstar Distribution Agreement, the sales prices of the products are not fixed. The sales prices shall be agreed between the parties on an arm's length basis through negotiations with reference to the then prevailing market price of similar products. The sales prices of the products supplied by the Group to Nepstar Group shall not be lower than the sales prices of similar products in similar quantities supplied by the Group to its independent customers.

For the internal control measures implemented by the Company to ensure that the terms of the Nepstar Distribution Agreement are no more favourable than those offered by the Group to independent third parties, please refer to the section headed "Internal Control Measures" in this announcement.

The consideration of the products will be settled by Nepstar Group within sixty (60) days after the issue date of the invoice or the receipt of the products, whichever is earlier

Annual caps

The Proposed 2018 Sales Cap, the Proposed 2019 Sales Cap and the Proposed 2020 Sales Cap are RMB28,000,000 (approximately HK\$33,453,000), RMB36,000,000 (approximately HK\$43,011,000) and RMB47,000,000 (approximately HK\$56,153,000), respectively.

In arriving at the Proposed Sales Caps, the Directors have considered the following factors:

- (a) with the implementation of various healthcare industrial policies and healthcare reform, the pharmaceutical products and healthcare food retail markets in the PRC will continue to grow and therefore there will be a higher demand for pharmaceutical products, food and healthcare food products supplied by the Group;
- (b) the audited historical transaction amount under the Existing Nepstar Distribution Agreement for the financial year ended 31 December 2015 and the financial year ended 31 December 2016 have increased by approximately 24%. In addition, for the eight months ended 31 August 2017, the unaudited historical transaction amount between the Group and Nepstar Group was approximately RMB10,133,000 (approximately HK\$12,106,000). Therefore, it is expected that the demand for pharmaceutical products and healthcare food supplied by the Group will grow;
- (c) a buffer to cater for any increase in the transaction which is unexpected such as unexpected increase in the demand of the products, the sales price of the products and other relevant factors; and
- (d) the historical transaction amounts and the historical sales caps for the continuing connected transactions under the Existing Nepstar Distribution Agreement.

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

Period ended 31 December 2015		Year ended 31 December 2016		Eight months ended 31 August 2017	Year ending 31 December 2017
Historical transaction amount (<i>approximate</i>) (<i>audited</i>)	Historical sales cap	Historical transaction amount (<i>approximate</i>) (<i>audited</i>)	Historical sales cap	Historical transaction amount (<i>approximate</i>) (<i>unaudited</i>)	Historical sales cap
RMB13,815,000 (<i>approximately</i> HK\$16,505,000)	RMB21,000,000 (<i>approximately</i> HK\$25,090,000)	RMB17,121,000 (<i>approximately</i> HK\$20,455,000)	RMB24,000,000 (<i>approximately</i> HK\$28,674,000)	RMB10,133,000 (<i>approximately</i> HK\$12,106,000)	RMB26,000,000 (<i>approximately</i> HK\$31,063,000)

Based on the considerations set out above, the Directors (including the independent non-executive Directors) are of the view that the Proposed Sales Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. If the Proposed Sales 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 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 Nepstar Distribution Agreement are no more favourable than the terms offered by the Group to independent customers; and (iii) 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 Healthcare Food and Food Purchase Framework Agreement:

(i) In the case where there are similar products in the market:

The prices of the 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 Neptunus Group or its subsidiaries on a quarterly basis for similar products.

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 Neptunus Group or its subsidiaries is higher than that offered by other independent suppliers and/or the terms of a product offered by Neptunus Group or its subsidiaries 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 Neptunus Group or its subsidiaries 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 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 Neptunus Group or its subsidiaries or amend relevant terms, provided that the terms of purchase made by the Group and the independent customers of Neptunus Group or its customers are similar.

If the Intermediate Parent Group only supplies the relevant 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 Neptunus Group or its subsidiaries or whether the Group should increase the sales price of such product.

- (b) In relation to the Nepstar Distribution Agreement, the prices of the products sold to Nepstar 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 Nepstar Distribution Agreement by evaluating the average price of the products and relevant terms offered to its independent customers and the market prices of similar products under similar sales terms and condition 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 to Nepstar or its subsidiaries is lower than that offered by the Group to its independent customers and/or the terms of a product offered by the Group to Nepstar or its subsidiaries are more favourable, such findings shall be reported to the general manager of the Company or the relevant subsidiary of the Group for review. The relevant general manager shall then discuss with one of the Directors to evaluate whether the Group should adjust the price of such product or amend the relevant terms, with reference to factors such as the corporate background of the independent customer, 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 Healthcare Food and Food Purchase Framework Agreement and the Nepstar 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 each of the Proposed Purchase Caps and each of the Proposed Sales Caps is not exceeded.
- (e) the Group will engage the auditors to conduct an annual review of the Proposed CCTs to opine whether the Proposed Purchase Caps and the Proposed Sales 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.
- (g) 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 HEALTHCARE FOOD AND FOOD PURCHASE FRAMEWORK AGREEMENT AND THE NEPSTAR DISTRIBUTION AGREEMENT

In view of (i) the population aging 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. As 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 the Healthcare Food and Food Purchase Framework Agreement will bring the Group higher operating revenues and have a positive impact on the profitability of the Group.

With the implementation of various healthcare industrial policies and healthcare reform, the pharmaceutical products and healthcare food retail markets in the PRC will continue to grow. In view of (i) the established nationwide retail networks of Nepstar for pharmaceutical products and healthcare food products in the PRC and (ii) the total sales of Nepstar is ranked No. 8 among China's pharmaceutical retail companies in 2016, the Board considers that the Nepstar Distribution Agreement will (i) improve the distribution and sales of the pharmaceutical products and healthcare food products 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.

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 Healthcare Food and Food Purchase Framework Agreement and the Nepstar Distribution Agreement, save and except that the chairman of the Board and executive Director Mr. Zhang Feng, is also a director of Neptunus Group and his brother, Mr. Zhang Si Min, is indirectly interested in 100% of the equity interest in Nepstar. In

this connection, Mr. Zhang Feng had abstained from voting on the written resolutions of the Board for approving the Healthcare Food and Food Purchase Framework Agreement and the Nepstar Distribution Agreement. Having considered the above, the remaining Directors (other than the independent non-executive Directors who will express their views after considering the advice from Gram Capital) take the view that the Healthcare Food and Food Purchase Framework Agreement and the Nepstar 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 on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE GROUP, NEPTUNUS GROUP, AND NEPSTAR

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, 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.

Nepstar is a limited liability company established under the laws of the PRC, which is principally engaged in the retail of pharmaceutical products and healthcare products. As Nepstar is indirectly held as to 100% by Mr. Zhang Si Min, the brother of one of the executive Directors, Mr. Zhang Feng, Nepstar is an associate of Mr. Zhang Feng and thus a connected person of the Company under the GEM Listing Rules.

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, directly and indirectly holding 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 of the GEM Listing Rules. Accordingly, the Healthcare Food and Food Purchase Framework Agreement constitutes a continuing connected transaction for the Company as defined under Rule 20.29 of the GEM Listing Rules.

As at the date of this announcement, Nepstar is indirectly held as to 100% by Mr. Zhang Si Min, the brother of one of the executive Directors, Mr. Zhang Feng, Nepstar is an associate of Mr. Zhang Feng and thus a connected person of the Company under Rule 20.07 of the GEM Listing Rules. Accordingly, the Nepstar Distribution Agreement constitutes a continuing connected transaction for the Company as defined under Rule 20.29 of the GEM Listing Rules.

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

As certain applicable percentage ratios calculated with reference to the highest Proposed Sales Cap exceed 5%, the Nepstar Distribution Agreement will be subject to reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

EGM

An EGM will be convened and held to approve the Healthcare Food and Food Purchase Framework Agreement, the Nepstar Distribution Agreement, the Proposed Purchase Caps and the Proposed Sales 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 Healthcare Food and Food Purchase Framework Agreement, the Nepstar Distribution Agreement and the relevant annual 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 Healthcare Food and Food Purchase Framework Agreement and the Nepstar Distribution Agreement; (b) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders relating to the Healthcare Food and Food Purchase Framework Agreement and the Nepstar Distribution Agreement; and (c) a letter from the Independent Board Committee to the Independent Shareholders relating to the Healthcare Food and Food Purchase Framework Agreement and the Nepstar Distribution Agreement, will be sent to the Shareholders as soon as possible.

TERMINATION OF THE EXISTING HANGZHOU NEPTUNUS HEALTHCARE FOOD FRAMEWORK AGREEMENT

Background

Reference is made to the announcement of the Company dated 29 July 2016 (the "**Previous Announcement**"). As disclosed in the Previous Announcement, Neptunus Changjian entered into the Existing Hangzhou Neptunus Healthcare Food Framework Agreement with Hangzhou Neptunus, a fellow subsidiary and a connected person of the Company on 29 July 2016 pursuant to which Neptunus Changjian will purchase certain food and healthcare food products manufactured by Hangzhou Neptunus for distribution in the PRC for the period from 29 July 2016 to 31 December 2018.

Termination

On 17 October 2017, the Company and Neptunus Group mutually agreed to procure its respective wholly-owned subsidiaries namely, Neptunus Changjian and Hangzhou Neptunus, to terminate the Existing Hangzhou Neptunus Healthcare Food Framework Agreement with effect from 1 January 2018, subject to the Independent Shareholders approving the Healthcare Food and Food Purchase Framework Agreement (the “**Termination**”).

The Directors confirmed that none of the parties is required to pay to the other party any penalty and/or compensation in respect of the Termination.

Reasons for the Termination

Upon execution of the Healthcare Food and Food Purchase Framework Agreement, the purchase of certain food and healthcare food products by the Group from the Intermediate Parent Group will be governed by it. The Termination could ensure that the relevant purchases of certain food and healthcare food products between the two groups will be governed by the same set of terms and conditions under the Healthcare Food and Food Purchase Framework Agreement.

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 Termination, 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 Termination. Having considered the above, the remaining Directors (including the independent non-executive Directors) take the view that the Termination has been: (i) made 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. The Termination will not cause any material adverse impact on the existing business, operation or financial condition of the Group.

Implication under the GEM Listing Rules

As at the date of this announcement, Hangzhou Neptunus is directly 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, directly and indirectly holding approximately 73.51% of the entire share capital of the Company. Therefore, Hangzhou Neptunus is an associate of Neptunus Group and thus a connected person of the Company under Rule 20.07 of the GEM Listing Rules.

As the continuing connected transactions contemplated under the Existing Hangzhou Neptunus Healthcare Food Framework Agreement will be terminated (subject to condition(s)), the Company is subject to the announcement requirement under Rule 20.33 of the GEM Listing Rules.

DEFINITIONS

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

“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;
“Distribution Agreement CCT”	the continuing connected transactions contemplated under the Nepstar Distribution Agreement;
“EGM”	an extraordinary general meeting of the Company to be held to consider and approve by poll, among other things, the Healthcare Food and Food Purchase Framework Agreement, the Nepstar Distribution Agreement and the relevant annual caps;
“Existing Hangzhou Neptunus Healthcare Food Framework Agreement”	the purchase and sales framework agreement entered into between Neptunus Changjian and Hangzhou Neptunus on 29 July 2016 relating to the purchase of certain food and healthcare food products manufactured by Hangzhou Neptunus for distribution in the PRC for the period from 29 July 2016 to 31 December 2018;
“Existing Jiankang Distribution Agreement”	the distribution agreement dated 17 December 2014 entered into between the Company and Neptunus Jiankang relating to the purchase of various healthcare food products and food products manufactured by Neptunus Jiankang and its subsidiaries and the distribution of such products within the PRC for the period from 1 January 2015 to 31 December 2017;

“Existing Neptstar Distribution Agreement”	the distribution agreement dated 17 December 2014 entered into between the Company and Nepstar relating to the supply of self-manufactured drugs by the Group to Nepstar Group for it to distribute within the PRC for the period from 1 January 2015 to 31 December 2017;
“GEM”	the Growth Enterprise Market 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Healthcare Food and Food Purchase Framework Agreement, the Nepstar Distribution Agreement and the transactions contemplated thereunder;
“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;
“Hangzhou Neptunus”	杭州海王生物工程有有限公司 (Hangzhou Neptunus Bio-engineering Co., Ltd.*), a limited liability company established under the laws of the PRC which is directly wholly-owned by Neptunus Group;
“Healthcare Food and Food Purchase Framework Agreement”	the purchase framework agreement entered into between the Company and Neptunus Group on 17 October 2017 (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 1 January 2018 to 31 December 2020;
“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 Healthcare Food and Food Purchase Framework Agreement, the Nepstar Distribution Agreement, the Proposed Purchase Caps and the Proposed Sales Caps;
“Independent Shareholders”	Shareholder(s) other than Neptunus Bio-engineering and any of its associates;

“Intermediate Parent Group”	collectively Neptunus Group and its subsidiaries (excluding the Group), or any one of them;
“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 licence (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 (藥品經營品質管理規範認證證書);
“Nepstar”	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 100% by Mr. Zhang Si Min, the brother of Mr. Zhang Feng, who is an executive Director;
“Nepstar Distribution Agreement”	the distribution agreement entered into between the Company and Nepstar on 17 October 2017 (after trading hours) pursuant to which the Group will provide pharmaceutical products, food and healthcare food products to Nepstar Group for it to distribute within the PRC for the period from 1 January 2018 to 31 December 2020;
“Nepstar Group”	Nepstar and its subsidiaries;
“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 Jiankang”	深圳市海王健康科技發展有限公司 (Shenzhen Neptunus Jiankang Technology Development Company Limited*), a limited liability company established under the laws of the PRC which is indirectly wholly-owned by Neptunus Bio-engineering;
“percentage ratio(s)”	has the meaning ascribed thereto under the GEM Listing Rules;

“PRC”	the People’s Republic of China;
“Previous Hangzhou Neptunus Healthcare Food Distribution Agreement”	the distribution agreement entered into between Neptunus Changjian and Hangzhou Neptunus on 6 February 2013 relating to the purchase of various food products and healthcare food products manufactured by Hangzhou Neptunus for distribution in the PRC for the period from 6 February 2013 to 31 December 2015;
“Proposed CCTs”	collectively, the Purchase Agreement CCT and the Distribution Agreement CCT;
“Proposed Purchase Cap(s)”	each of, or collectively, the Proposed 2018 Purchase Cap, the Proposed 2019 Purchase Cap and the Proposed 2020 Purchase Cap;
“Proposed 2018 Purchase Cap”	the estimated maximum aggregate purchase amount under the Healthcare Food and Food Purchase Framework Agreement for the period from 1 January 2018 to 31 December 2018;
“Proposed 2019 Purchase Cap”	the estimated maximum aggregate purchase amount under the Healthcare Food and Food Purchase Framework Agreement for the period from 1 January 2019 to 31 December 2019;
“Proposed 2020 Purchase Cap”	the estimated maximum aggregate purchase amount under the Healthcare Food and Food Purchase Framework Agreement for the period from 1 January 2020 to 31 December 2020;
“Proposed Sales Cap(s)”	each of, or collectively, the Proposed 2018 Sales Cap, the Proposed 2019 Sales Cap and the Proposed 2020 Sales Cap;
“Proposed 2018 Sales Cap”	the estimated maximum aggregate sales amount under the Nepstar Distribution Agreement for the period from 1 January 2018 to 31 December 2018;
“Proposed 2019 Sales Cap”	the estimated maximum aggregate sales amount under the Nepstar Distribution Agreement for the period from 1 January 2019 to 31 December 2019;
“Proposed 2020 Sales Cap”	the estimated maximum aggregate sales amount under the Nepstar Distribution Agreement for the period from 1 January 2020 to 31 December 2020;
“Purchase Agreement CCT”	the continuing connected transactions contemplated under the Healthcare Food and Food Purchase Framework Agreement;
“RMB”	Renminbi, the lawful currency of the PRC;

“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 HK\$1 = RMB0.837. 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, the PRC, 17 October 2017

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 notice 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 notice 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 purposes only