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## RELATIONSHIP WITH JACOBSON PHARMA

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### OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Jacobson Pharma, through its wholly-owned subsidiary, JBM Group BVI, held an indirect interest of approximately 85.0% in our Company. Immediately following the Spin-off, (i) our Company will be owned as to approximately 53.7% by JBM Group BVI and (ii) JBM Group BVI will continue to be wholly-owned by Jacobson Pharma. Mr. Sum is one of the founders of the Jacobson Pharma Group and is interested in, through Kingshill and Queenshill, an aggregate of approximately 58.9% in the shares of Jacobson Pharma as of the Latest Practicable Date. Queenshill was wholly-owned by Mr. Sum, and each of Kingshill and Lincoln's Hill was wholly-owned by Trust Co under The Kingshill Trust, a discretionary trust established by Mr. Sum (as the settlor), as of the Latest Practicable Date. Upon the Listing, each of Mr. Sum, Jacobson Pharma, JBM Group BVI, Kingshill, Queenshill and Lincoln's Hill will be a Controlling Shareholder of our Company. Our Company will remain as a subsidiary of Jacobson Pharma and our Controlling Shareholders will collectively own approximately 69.7% of our Shares upon the Listing.

Jacobson Pharma is an exempted company with limited liability incorporated in the Cayman Islands and its shares have been listed on the Main Board of the Stock Exchange since September 21, 2016 (stock code: 2633). Established in the late 1990s, Jacobson Pharma began its business as a pharmaceutical company and has become one of the largest generic drugs company in Hong Kong by sales in 2019, according to the Frost & Sullivan Report. Its wholly-owned subsidiary, JBM Group BVI, is a company with limited liability incorporated in the British Virgin Islands and is an investment holding company.

The principal business of each of our Group and the Remaining Parent Group as of the Latest Practicable Date is set forth below:

#### **Principal Business**

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#### **Our Group**

production, sales and distribution of branded healthcare products, namely consumer healthcare products (being branded medicines and health and wellness products) and proprietary Chinese medicines

#### **The Remaining Parent Group**

manufacturing, marketing and sale of generic drugs (“**Generic Drugs segment**”)

Our Directors believe that (i) based on the information set forth in the section headed “— Business Delineation Between Our Group and the Remaining Parent Group” below, our Group's business is adequately delineated from the business of the Remaining Parent Group; and (ii) based on the information set forth in the section headed “— Independence from the Remaining Parent Group” below, our Group is independent from the Remaining Parent Group in terms of our operations, finance and management.

### **BUSINESS DELINEATION BETWEEN OUR GROUP AND THE REMAINING PARENT GROUP**

Our principal business and that of the Remaining Parent Group are sufficiently distinct from one another in terms of nature of products, sales channels and suppliers.

Our Directors are satisfied that our principal business is adequately delineated from that of the business of the Remaining Parent Group taking into account the factors set forth below and our Directors therefore consider there to be no material competition between our Group and the Remaining Parent Group.

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### Nature of Products

As stated in the section headed “— Our Controlling Shareholders” above, the respective principal businesses of our Group and the Remaining Parent Group focus primarily on products of distinct nature. We focus on branded healthcare products, namely consumer healthcare products (being branded medicines and health and wellness products) and proprietary Chinese medicines, whereas the Remaining Parent Group primarily focuses on generic drugs. This classification of products based on the distinct concepts of “proprietary” medicines and “generic” drugs is in line with the definitions used by WHO, the United States Food and Drug Administration and international pharmaceutical and medical professionals in general and such division of “proprietary” medicines and “generic” drugs as separate business segments is also evident in proposed spin-off activities of other multinational pharmaceutical companies, some of which are listed on the New York Stock Exchange and the London Stock Exchange.

Our branded healthcare products are principally “proprietary” and “branded” in nature as they possess characteristics such as unique composition of ingredients that are not found among other industry players, registered trade marks, trade names or logo devices which are widely recognizable by consumers, or protection from non-registrability by other products of same formulae under current regulatory requirements. We sell products under our own brands and also source and sell third-party brand products. Our own brand products accounted for 79.0%, 75.1%, 71.9% and 72.4% of our revenue for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively, while the rest of our products for sale were sourced from third-party brand owners generally under distributorship or in-licensing arrangements. For further details of our products, see the section headed “Business — Our Products.”

On the other hand, the generic drugs of the Remaining Parent Group are primarily off-patent drugs that contain the same active medicinal ingredients as the originator brands and are intended to have the same therapeutic effect and efficacy as the originator brands. Save for a limited amount of selected generic drugs (being primarily non-branded and non-proprietary cough syrup and capsules for cough and nasal congestion (the “**Selected Generic Drugs**”)) that were manufactured by our Group, which only accounted for approximately 0.8%, 0.6%, 0.8% and 0.5% of the sales of generic drugs of the Remaining Parent Group for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively, the vast majority of generic drugs of the Remaining Parent Group were self-manufactured by itself for sale. The Remaining Parent Group also manufactures some non-pharmaceutical products such as cream which are non-proprietary and non-branded in nature.

Based on the above, our Directors are of the view that the nature of the products of our Group is distinct from that of the Remaining Parent Group and therefore our Group’s principal business is adequately delineated from the principal business of the Remaining Parent Group in this respect. During the Track Record Period, the Remaining Parent Group sourced certain branded healthcare products from our Group (the “**Overlapping Products**”) (i) for the on-sale of such products in the two retail drug stores in Hong Kong (the “**Relevant Drug Stores**”) under its then wholesale and retail segment which by nature is one of our downstream sales channels as retailers and (ii) to satisfy demand from local customers in Taiwan, the sales of which only took place for the year ended March 31, 2020. The Overlapping Products comprised predominantly Ho Chai Kung branded products, Contractubex products, Po Chai Pills and products under certain miscellaneous and less publicized proprietary Chinese medicine brands of our Group, the sales of which merely accounted for (i) 2.9%, 2.1%, 2.0% and 1.6% of our Group’s revenue for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020 and (ii) 0.6%, 0.6%, 0.6% and 0.1% of the Remaining Group’s revenue taking into account both its continuing and discontinued operations for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively, and thus was not material. The sales of the Overlapping Products to the Relevant Drug Stores are expected to continue upon the Listing but such sales will not constitute continuing connected transactions of our Group as the Remaining Parent Group no longer holds the controlling stake of the company holding the Relevant Drug Stores (such controlling stake was disposed of by the Remaining Parent Group in July 2020) upon which the aforementioned company ceased to be a subsidiary and became an associated company of the Remaining Parent Group of less than 30% in

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shareholding and as such will not be our connected person upon the Listing. The sales of the Overlapping Products to the Remaining Parent Group to satisfy demand from customers in Taiwan are not expected to continue upon the Listing as our Group will instead commence direct sales to customers in Taiwan following the Listing. Therefore, there was no material overlap in products between the Remaining Parent Group and our Group over the Track Record Period and our Directors believe that there will not be any material overlap in the products of the Generic Drugs segment of the Remaining Parent Group and the branded healthcare business of our Group as a whole upon the Listing.

### Sales Channels

The branded healthcare products of our Group are primarily sold and distributed to the over-the-counter channels (“**OTC Channels**”), being primarily chain stores, supermarkets, convenience stores, drug stores, non-prescription counters of registered pharmacies, trading companies and selected corporate clients (such as airlines, amusement parks and public transport companies). For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, revenue generated from our products sold to the OTC Channels accounted for 92.2%, 88.9%, 87.7% and 85.4% of the revenue of our Group as a whole, respectively. For further details of the sales channels of our Group, see the section headed “Business — Sales and Distribution.”

In contrast, the Remaining Parent Group conducts its business through its Generic Drugs segment, of which approximately 91.2%, 92.3%, 93.7% and 93.8%, respectively, of the revenue of this segment was generated from products sold to the medical sector (“**Medical Sector**”) which comprises hospitals, clinics, physicians and prescription counters of registered pharmacies (excluding Chinese medicine practitioners) for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020.

While the primary sales channel of our Group is the OTC Channels, the amount of sales of our products made to the Medical Sector during the Track Record Period was not significant, contributing to 4.9%, 9.0%, 10.3% and 12.5% of our revenue for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively. Such sales for the years ended March 31, 2018 and 2019 were mostly demand-driven as relevant products were dispensed or recommended by physicians, pharmacists and other medical practitioners in the Medical Sector, whereas such sales for the year ended March 31, 2020 and the four months ended July 31, 2020 were driven more by demand from public hospitals in the Medical Sector for personal hygiene products in light of the outbreak of COVID-19. More particularly, the increase in revenue contribution from overlapping sales to the Medical Sector for the year ended March 31, 2019 was mainly due to the introduction and growth in sales of certain third-party brand products, including AIM Atropine Eye Drops and Oncotype DX Breast Recurrence Score<sup>®</sup> assay (the sales of which were driven by the demand from prescriptions of medical practitioners). On the other hand, the increase in revenue generated by the overlapping sales to the Medical Sector for the year ended March 31, 2020 and the four months ended July 31, 2020 was mainly due to the expansion of our product portfolio to include personal hygiene products such as antiseptic hand rubs under our Dr. Freeman (醫臣) brand, which were in high demand especially from February to May 2020 amid the outbreak of COVID-19. Going forward, however, in anticipation of the growth in our health and wellness product portfolio, the additional revenue contribution from the sales of CCMG products following our acquisition of a controlling stake in the Orizen Group in August 2019 and the decreasing trend of the revenue contributed by the sales of antiseptic hand rubs under our Dr. Freeman (醫臣) brand to public hospitals in the Medical Sector in the second quarter of 2020, the percentage contribution to sales by overlapping sales to the Medical Sector is expected to decrease. Further, although the sales channel (to the Medical Sector) has overlapped, the sales and marketing activities have been and will continue to be conducted by separate sales and marketing teams of our Group and the Remaining Parent Group.

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As for the Remaining Parent Group, with the Medical Sector as their predominant sales channel, there were also limited and insignificant sales of their products to the OTC Channels during the Track Record Period, which accounted for 7.7%, 6.5%, 6.9% and 6.2% of the Remaining Parent Group's revenue for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively, and were limited "spill-over demand" from end-users (including those who had been dispensed with these products in previous consultations at hospitals and clinics and subsequently look for refill through the OTC Channels) who make purchases for such over-the-counter remedies at retail level.

Our Directors are of the view that the overlapping sales channels described above will not affect the business delineation between our Group and the Remaining Parent Group in a material manner for the following reasons:

- the products of our Group which are sold to the Medical Sector and the products of the Remaining Parent Group which are sold to the OTC Channels can still be distinguished by the nature of products and as such will not constitute competition, with the relevant products of our Group being "proprietary" and "branded" in nature, as such products are primarily third-party brand products sourced from third-party brand owners, with unique composition and being protected by registered trade marks, while the products of the Remaining Parent Group sold to the OTC Channels are typically manufactured by the Remaining Parent Group, are non-proprietary in nature and do not carry recognizable consumer brands;
- the contribution of such overlapping sales was limited and relatively insignificant to our Group and to the Remaining Parent Group during the Track Record Period and the percentage contribution of overlapping sales to the medical sector to our Group is expected to decrease in view of expected growth in our health and wellness product portfolio, the additional revenue contribution from the sales of CCMG products of Orizen and the decreasing trend of the revenue contribution by sales of antiseptic hand rubs under our Dr. Freeman (醫臣) brand to public hospitals in the medical sector in the second quarter of 2020;
- sales were and will continue to be made going forward by separate sales and marketing teams of our Group and the Remaining Parent Group; and
- the following corporate governance measures will be in place to safeguard interests of both our Group and the Remaining Parent Group despite the limited extent of such overlap in sales channel and the contribution of sales being not significant;
  - the extent of overlapping sales channels will be monitored by the sales and marketing teams of both our Group and the Remaining Parent Group;
  - the business of our Group and that of the Remaining Parent Group will be managed by separate management teams with no overlapping executive directors or senior management personnel. For further details regarding our management independence, see the section headed "— Independence from the Remaining Parent Group — Management Independence" below; and
  - for further details regarding our corporate governance measures in the event any potential conflict of interest arises, see the section headed "— Corporate Governance Measures" below.

### Suppliers

We have independent access to suppliers for our own brand products and we also source third-party brand products from third-party brand owners. There is however, some degree of overlap in suppliers between our Group and the Remaining Parent Group as to purchases of packaging materials and raw materials mainly. The percentage of cost of sales attributable to the overlapping suppliers to our Group and the Remaining Parent Group during the Track Record Period was not particularly significant, attributing to 8.0%, 9.3%, 8.0% and 4.8% of the cost of sales of our Group, and 14.0%, 10.4%, 14.7% and

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17.2% of the cost of sales of the Remaining Parent Group, for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively. Further, we believe the supplies we procure from overlapping suppliers, being primarily supplies of packaging materials (such as boxes, bottles, printings and foils) and certain pharmaceutical ingredients and excipients, could be readily sourced from alternative comparable suppliers and hence, such overlapping suppliers are not indispensable. Besides, the Remaining Parent Group and our Group have separate procurement teams, each of which is staffed with employees who have access to third-party suppliers and conduct respective procurement process, including negotiations of terms such as pricing and volume, independently.

Based on the foregoing, our Directors are of the view that such overlap in suppliers will not affect the business delineation between our Group and the Remaining Parent Group in a material manner.

### INDEPENDENCE FROM THE REMAINING PARENT GROUP

Our Directors consider that our Group is capable of operating its business independently of the Remaining Parent Group following the Listing based on the following grounds.

#### **Operational Independence**

##### *Manufacturing facilities*

We have entered into agreements with a subsidiary of Jacobson Pharma on December 1, 2020 and March 1, 2018 (and extended on January 15, 2021), respectively, for the use of two manufacturing facilities for the production of primarily Po Chai Pills and Flying Eagle Woodlok Oil. These agreements are recognized as right-of-use assets in accordance with HKFRS 16 and if entered into after the Listing, would constitute connected transactions of our Group and classified as one-off acquisitions of capital assets under the Listing Rules.

Save for the manufacturing facilities under the aforementioned agreements which are situated at a separate location from that of the Remaining Parent Group, we also have our own manufacturing facilities for the manufacturing of other proprietary Chinese medicines and our Ho Chai Kung branded products during the Track Record Period. Further, we own all of the production machineries, equipment and fixtures housed in the manufacturing facilities used for the production of our products (including those housed in the manufacturing facilities under the aforementioned agreements) and the production lines of our Group and the Remaining Parent Group are independent. As such, our Directors are of the view that the aforementioned agreements will not affect our operational independence in a material manner.

##### *Operational licenses, product registrations and distribution rights*

Upon the Listing, our Group and the Remaining Parent Group will possess separate licenses necessary for our respective manufacturing process, use of raw materials and sales activities. For details of the licenses and permits for our Group's business operations in Hong Kong, China and other relevant jurisdictions, see the section headed "Business — Licenses, Permits and Approvals."

Compliance with licensing requirements will be handled by our own regulatory team, which is independent from the Remaining Parent Group. Our regulatory team will also handle product registrations with the relevant authorities to ensure that our health food products comply with the applicable food labeling requirements. All registration certificates will also be held in the name of our Group. In addition, we will hold all relevant rights for the sales of third-party brand products from third-party brand owners. Therefore, our Directors are of the view that upon the Listing, we can independently satisfy the licensing requirements for our own operations without reliance on the Remaining Parent Group and as such achieve operational independence in this respect.



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### *Production process, warehousing and logistics*

Save and except for (i) the limited manufacturing services of the Selected Generic Drugs provided by us to the Remaining Parent Group, (ii) the Remaining Parent Group's provision of manufacturing services of antiseptic hand rubs under our Dr. Freeman (醫臣) brand to us, (iii) the provision of certain logistics services by the Remaining Parent Group to us during the Track Record Period, the continuation of which and any provision of manufacturing services by the Remaining Parent Group of other products under the Dr. Freeman (醫臣) brand (together with the antiseptic hand rubs and other selected branded healthcare products (such as antiseptic alcohol, lotion and mouthwash) under our Dr. Freeman (醫臣) brand, "**Dr. Freeman Products**") will constitute continuing connected transactions upon the Listing, (iv) the provision of certain warehousing services by the Remaining Parent Group to our Group over the Track Record Period and (v) the entering into of agreements on November 26, 2020 with two subsidiaries of Jacobson Pharma for the use of two warehousing facilities commencing December 1, 2020 (which are recognized as right-of-use assets in accordance with HKFRS 16 and if entered into after the Listing, would constitute connected transactions of our Group and classified as one-off acquisitions of capital assets under the Listing Rules), the production processes of our Group and the Remaining Parent Group are independent from each other. For details of these connected transactions, see the sections headed "Connected Transactions — Partially Exempt Continuing Connected Transactions — 1. Logistics Services Agreement" and "Connected Transactions — Partially Exempt Continuing Connected Transactions — 2. Manufacturing Services Agreement."

Our Directors are of the view that the provision of manufacturing services of the Selected Generic Drugs by our Group to the Remaining Parent Group and the provision of manufacturing services of selected Dr. Freeman Products by the Remaining Parent Group to our Group and the provision of logistics services and warehousing facilities by the Remaining Parent Group to our Group do not affect our operational independence for the following reasons:

- the manufacturing services fees chargeable by the Remaining Parent Group to us for the manufacturing services in respect of the production of our Dr. Freeman antiseptic hand rubs, the arrangement of which only commenced in February 2020 in response to the retail demand for such products in Hong Kong amid the COVID-19 outbreak, and any commencement of provision of such services by the Remaining Parent Group in respect of other selected Dr. Freeman Products will be subject to the relevant annual caps going forward, are not considered material;
- the sales of Dr. Freeman antiseptic hand rubs (which commenced in February 2020) only accounted for 1.3% of our total revenue for the year ended March 31, 2020 and the sales of other Dr. Freeman Products under manufacturing arrangements with the Remaining Parent Group are only expected to constitute an insignificant portion of our sales of branded healthcare products going forward;
- in circumstances where we or the Remaining Parent Group decides to terminate the manufacturing arrangement in respect of relevant Dr. Freeman Products, we believe that there are alternative contract manufacturers in the market at comparable rates which are readily available;
- the annual caps for the manufacturing services fees chargeable by us for our provision of manufacturing services of the Selected Generic Drugs to the Remaining Parent Group are not considered material and are currently not expected to be a main source of revenue of our Group;
- the manufacture and sale of the Selected Generic Drugs and the relevant production facilities had been part of the Ho Chai Kung business prior to its acquisition by our Group (the "**HCK Acquisition**"). Given the nature of the products, the marketing and sales of the Selected Generic Drugs were restructured and accordingly conducted under the Generic Drugs segment of the Remaining Parent Group following the HCK Acquisition. Nevertheless, due to the

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pre-existing product registration and manufacturing license arrangements and to make use of the spare production capacity of the relevant production facilities, the production of the Selected Generic Drugs has remained under the Ho Chai Kung business (which formed part of our Group pursuant to the Reorganization) and this arrangement is accordingly being formalized as a continuing connected transaction arrangement for the purpose of the Spin-off;

- the sales of the Selected Generic Drugs by the Remaining Parent Group only accounted for 0.8%, 0.6%, 0.8% and 0.5% of their sales of generic drugs for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively;
- in terms of logistics-related arrangements, we adopt a hybrid logistics system of combining logistics service subscription (from the Remaining Parent Group (accounting for 87.4%, 80.4%, 75.8% and 54.5% of our total distribution costs incurred for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively) and our own in-house logistics support (accounting for 12.6%, 19.6%, 7.7% and 21.9% of our total distribution costs incurred for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively)) and other Independent Third Party logistics services suppliers (accounting for nil, nil, 16.5% and 23.6% of our total distribution costs incurred for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively), to facilitate deliveries of our finished products; and
- the logistics services and warehousing facilities provided by the Remaining Parent Group are not irreplaceable and we do not intend to enter into any exclusive agreement with the Remaining Parent Group for the use of their logistics services and warehousing facilities and there are other third-party providers available which we may engage should the circumstances warrant.

### *Intellectual property rights*

Following the completion of the Reorganization, our Group and the Remaining Parent Group each have subsidiaries holding respective intellectual property rights independently from each other for their respective operations. Our Group will maintain our own portfolio of registered trade marks, domain names and other intellectual property rights necessary for our operational activities and will not require intellectual property rights to be assigned or licensed by the Remaining Parent Group. For details of the material trade marks and domain names registered by our Group, see “B. Further Information About Our Business — 2. Intellectual Property Rights of our Group” in Appendix IV to this prospectus.

For third-party brand products, our Group will use the intellectual property rights granted or licensed by the third-party brand owners in accordance with the terms of the relevant agreements.

Based on the above, our Directors are of the view that upon the Listing, our Group will be clearly independent from the Remaining Parent Group in possessing intellectual property rights necessary for our operations.

### *Sales and marketing*

Given the differences in product nature and target customers between our Group and the Remaining Parent Group, the sales and marketing function of our Group is independent from that of the Remaining Parent Group. We have designated teams with our personnel skilled and experienced in sales, merchandising, marketing and brand promotion and we do not rely on the Remaining Parent Group for their sales and marketing activities. In respect of the overlapping sales of our products in the Medical Sector (as described in the section headed “— Business Delineation Between Our Group and the Remaining Parent Group — Sales Channels” above), such sales have been conducted by our Group’s own sales team and will continue to be so going forward without reliance on the Remaining Parent Group and therefore our Directors believe that such overlap in sales channel does not affect the operational independence of our Group.

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### *Supply and procurement*

Our Group has access to independent suppliers for the supply of pharmaceutical ingredients, packaging materials and equipment necessary for our own production process and does not rely on the Remaining Parent Group for procurement of the same. Although there are overlapping suppliers (as discussed in the section headed “— Business Delineation Between Our Group and the Remaining Parent Group — Suppliers” above) with the Remaining Parent Group, our Group has its own procurement team which has direct access to these suppliers and does not rely on the Remaining Parent Group to secure the supplies and negotiate the prices and terms of the supply contracts and as such our Directors do not consider such overlap in suppliers will affect our operational independence.

### *Administrative capacity*

We have our own administrative teams including accounting and finance, company secretarial, regulatory compliance, human resources, management of intellectual properties, information technology and administration. Save for the subscription of limited sales administration function from the Remaining Parent Group (such as customer services support and logistics arrangements which are merely supportive in nature) with respect to the overseas sales of our products to Singapore, Macau and Taiwan, all of our essential administrative functions will be carried out independently and without support from the Remaining Parent Group and all personnel in these essential administrative functions of our Group will not have overlapping roles or duties in the Remaining Parent Group upon the Listing. Furthermore, sales to these overseas markets (where sales administration services of the Remaining Parent Group are utilized) only represented nil, 1.1%, 1.9% and 0.1% of the revenue of our Group for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively. Besides, the historical service fees paid by our Group to the Remaining Parent Group was nil, HK\$450,000, HK\$921,000 and HK\$1,117,000 for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively, and will be subject to the respective annual caps going forward, which are not considered to be material. For details of the sharing of sales administration function, see the section headed “Connected Transactions — Partially Exempt Continuing Connected Transactions — 3. Overseas Sales Administrative Services Agreement.”

We have also leased our own office premises in Hong Kong from a third-party landlord and will not share the office premises with the Remaining Parent Group.

On the basis of the above, our Directors believe that we operate our administrative functions independently from the Remaining Parent Group.

### *Continuing connected transactions*

We conducted certain transactions with the Remaining Parent Group on a recurring basis during and subsequent to the Track Record Period which will continue after the Listing and constitute continuing connected transactions of our Company under the Listing Rules. Such transactions are entered into in the ordinary and usual course of business of our Group and the terms including the pricing of such transactions are determined through arm’s length negotiations which are no less favorable or better to our Group than terms offered by Independent Third Parties. Given that the continuing connected transactions with the Remaining Parent Group are of supporting nature and do not involve the production process of our top revenue-generating products, our Directors believe that such continuing connected transactions will not cause any undue reliance by us on the Remaining Parent Group. For details of such continuing connected transactions, see the section headed “Connected Transactions.”



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### Financial Independence

We believe that our Group will be financially independent from the Remaining Parent Group after the Listing for the following reasons:

- we have established our own finance and accounting department with independent teams of staff separate from the Remaining Parent Group, and are responsible for our own financial management, accounting, reporting, treasury and internal control functions;
- we make financial decisions independently according to our own funding needs;
- we have established our own independent audit system, accounting system and financial management system;
- we are capable of obtaining financing from independent financial institutions on a standalone basis without guarantee or other financial assistance from the Remaining Parent Group, if necessary or desirable;
- upon the Listing, there will be no outstanding inter-company loans or guarantees or other forms of financial assistance which were provided by the Remaining Parent Group to or for the benefit of our Group; and
- in November 2020, we were granted a secured banking facility of HK\$250.0 million which is currently guaranteed by our Company and Jacobson Pharma, and such guarantee from Jacobson Pharma shall be released upon the Listing.

### Management Independence

Our Board is comprised of two executive Directors, three non-executive Directors and three independent non-executive Directors. Our Board will also be supported by six members of senior management. For further details, see the section headed “Directors and Senior Management.” Save for Mr. Sum and Yim Chun Leung, our non-executive Directors (and as such will not have any executive role or function in our Group after the Listing), who will remain as executive directors of Jacobson Pharma (also as chairman of the board of directors in the case of Mr. Sum and as company secretary in the case of Yim Chun Leung), and Wong Yat Wai, Patrick, our executive Director, who is a director of one of the Remaining Parent Group’s overseas subsidiary (in respect of which his resignation has been duly passed by the board of the relevant subsidiary and is pending confirmation from local authority), none of our Directors or senior management will hold any position in any member of the Remaining Parent Group after the Listing.

We are of the view that our management is capable of operating and functioning independently from the Remaining Parent Group on the basis that six out of eight members of our Board and all of our senior management team will be entirely independent from and not having any role in the Remaining Parent Group. Our management team has extensive expertise in the pharmaceutical industry and proprietary Chinese medicines, and possesses in-depth experience in sales and marketing in branded healthcare industry and accounting and finance. They make management decisions independent from the Remaining Parent Group.

Each of our Directors is aware of his fiduciary duties which require, among other things, that he must act for the benefit and in the best interest of our Company and avoid conflict to exist between his duties as our Director and his personal interest.

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### CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflict of interest. In order to further avoid potential conflict of interest, we have implemented the following measures:

- as part of our preparation for the Listing, we have adopted our Articles to comply with the Listing Rules. In particular, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his close associates has a material interest nor shall such Director be counted in the quorum present at the meeting;
- a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself from the Board meetings on matters in which such Director or his associates has a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- we will engage a third-party professional advisor to advise our Board when necessary in order to allow non-conflicting members of the Board to function properly with necessary professional advice;
- we are committed that our Board should include a balanced composition of executive Directors and independent non-executive Directors. Our independent non-executive Directors represent more than one third of the composition of our Board which is in compliance with the Corporate Governance Code of the Listing Rules and they are professionals with requisite knowledge and experience in different industries. We believe that our independent non-executive Directors will provide a balance of view and independent judgment in the decision-making process of our Board and they will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. For further details of our independent non-executive Directors, see the section headed “Directors and Senior Management — Board of Directors — Independent non-executive Directors”;
- we have appointed TUS Corporate Finance Limited as our compliance advisor subject to the Listing, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and corporate governance; and
- we will disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance with and the enforcement of the continuing connected transactions. For further details of corporate governance measures in relation to the continuing connected transactions, see the section headed “Connected Transactions — Corporate Governance Measures.”

### CONFIRMATION

Save as disclosed in this prospectus, our Controlling Shareholders and Directors confirm that they do not have any interest in a business which competes with or is likely to compete with our business, whether directly or indirectly, or will otherwise require disclosure under Rule 8.10 of the Listing Rules.