

## CONNECTED TRANSACTIONS

### OVERVIEW

Upon the Listing, transactions between us and the following connected persons in our ordinary and usual course of business disclosed in this section will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

### CONNECTED PERSONS

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 completion of 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. Jacobson Pharma and JBM Group BVI are two of our Controlling Shareholders. For further details of our relationship with Jacobson Pharma and JBM Group BVI, see the section headed “Relationship with Jacobson Pharma.”

Accordingly, Jacobson Pharma, JBM Group BVI and their respective associates other than our Group (the “**Jacobson Connected Persons**”) are our connected persons by virtue of Rule 14A.07 of the Listing Rules and for the purposes of connected transactions under Chapter 14A of the Listing Rules.

### SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

| Nature of transaction   | Relevant Listing Rules   | Waiver sought   | Historical amounts<br>(HK\$'000)   | Proposed annual cap for the year ending March 31,<br>(HK\$'000)  |
|---|--|---|--|--|
| <b>Partially exempt continuing connected transactions</b>   |  |   |  |  |
| <i>Exempt from the circular and independent shareholders' approval requirements but subject to the reporting, annual review and announcement requirements</i> |  |   |  |  |
| 1. Logistics Services Agreement   | 14A.34, 14A.35, 14A.49, 14A.51 to 14A.53, 14A.55, 14A.76(2), 14A.105 | Waiver from strict compliance with announcement requirement | For the year ended March 31, 2018: approximately 2,394<br>For the year ended March 31, 2019: approximately 3,688<br>For the year ended March 31, 2020: approximately 7,936<br>For the four months ended July 31, 2020: approximately 2,186   | 2021: 2,200 (from the date of Listing)<br>2022: 5,500<br>2023: 6,500   |
| 2. Manufacturing Services Agreement   | 14A.34, 14A.35, 14A.49, 14A.51 to 14A.53, 14A.55, 14A.76(2), 14A.105 | Waiver from strict compliance with announcement requirement | <i>Manufacturing of generic drugs:</i><br>For the year ended March 31, 2018: Nil<br>For the year ended March 31, 2019: Nil<br>For the year ended March 31, 2020: Nil<br>For the four months ended July 31, 2020: approximately 993<br><i>Manufacturing of branded healthcare products:</i><br>For the year ended March 31, 2018: Nil<br>For the year ended March 31, 2019: Nil<br>For the year ended March 31, 2020: approximately 6,075<br>For the four months ended July 31, 2020: approximately 3,513 | <i>Manufacturing of generic drugs:</i><br>2021: 1,500 (from the date of Listing)<br>2022: 3,500<br>2023: 3,500<br><i>Manufacturing of branded healthcare products:</i><br>2021: 2,500 (from the date of Listing)<br>2022: 6,500<br>2023: 6,500 |

## CONNECTED TRANSACTIONS

| Nature of transaction                               | Relevant Listing Rules   | Waiver sought   | Historical amounts   | Proposed annual cap for the year ending March 31,                    |
|---|--|---|--|--|
|   |  |   | (HK\$'000)   | (HK\$'000)   |
| 3. Overseas Sales Administrative Services Agreement | 14A.34, 14A.35, 14A.49, 14A.51 to 14A.53, 14A.55, 14A.76(2), 14A.105 | Waiver from strict compliance with announcement requirement | For the year ended March 31, 2018: Nil<br>For the year ended March 31, 2019: approximately 450<br>For the year ended March 31, 2020: approximately 921<br>For the four months ended July 31, 2020: approximately 1,117 | 2021: 1,500 (from the date of Listing)<br>2022: 4,200<br>2023: 4,500 |

### PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

As one or more of the applicable percentage ratios is more than 0.1% but less than 5%, pursuant to Rule 14A.76(2)(a) of the Listing Rules, each of the following transactions (together, the “**Partially Exempt Continuing Connected Transactions**”) will be exempt from the circular and independent shareholders’ approval requirements but subject to the announcement, reporting, and annual review requirements under Chapter 14A of the Listing Rules.

#### 1. Logistics Services Agreement

##### *Description of and reasons for the transaction*

During the Track Record Period, we utilized certain logistics services of the Jacobson Connected Persons for the distribution of some of our products, which included loading and unloading, trucking, as well as invoicing and payment settlement services for certain of our products. With the view of expanding our overall logistics capacities and streamlining our logistics services arrangements with the Jacobson Connected Persons, we no longer require invoicing and payment settlement services and would only require loading and unloading, trucking services for our consumer healthcare products and certain proprietary Chinese medicines primarily subsequent to the Track Record Period. For further details, see the section headed “Business — Sales and Distribution — Distribution and Logistics — Hong Kong.”

On January 19, 2021, our Company (on behalf of our subsidiaries) entered into an agreement (the “**Logistics Services Agreement**”) with Jacobson Pharma (on behalf of its subsidiaries excluding our Group) which is conditional upon the Listing, to govern the provision of logistics services by the Jacobson Connected Persons to us.

The reasons for using such logistics services to be provided by the Jacobson Connected Persons upon the Listing are, among others, (i) the Jacobson Connected Persons and we have established a long-term business relationship and they are familiar with our operation flow, product delivery and specific logistics requirements and are therefore a reliable supplier of such services; (ii) the logistics aspects of our on-going operations can continue uninterrupted; and (iii) the charges and terms of the utilization of such logistics services are no less favorable than those provided by Independent Third Parties for similar services.

The initial term of the Logistics Services Agreement shall commence on the Listing Date and expire on March 31, 2023, and is renewable upon expiry at the discretion of our Group on terms to be agreed by the parties. The Logistics Services Agreement may be terminated during its term by us by giving Jacobson Pharma not less than three-month’s prior written notice.

## CONNECTED TRANSACTIONS

### *Pricing*

The charges payable by us for the utilization of logistics services will be determined with reference to the costs of the Jacobson Connected Persons providing relevant services (taking into account, among others, labor costs, trucking operations and maintenance costs and other related costs) plus a profit margin of 10.0%. Our finance department will also make reference to quotations of other logistics services provided by Independent Third Parties from time to time to ensure that the terms offered to us under the Logistics Services Agreement will be comparable to or better than that offered by Independent Third Parties.

### *Historical transaction amounts*

The following table sets forth the total service fees paid by us for the utilization of logistics services for the periods indicated:

|   | Historical transaction amount (HK\$'000) |       |       |                               |
|---|--|-------|-------|-------------------------------|
|   | Year ended March 31,                     |       |       | Four months<br>ended July 31, |
|   | 2018                                     | 2019  | 2020  | 2020                          |
| <b>Total amount (approximately) .....</b> | 2,394                                    | 3,688 | 7,936 | 2,186                         |

### *Annual caps and basis of caps*

**Annual Caps:** The maximum charges and service fees payable by us under the Logistics Services Agreement for each of the three years ending March 31, 2023 shall not exceed the caps set forth below:

|                           | Proposed annual cap for the year ending<br>March 31, (HK\$'000) |       |       |
|---------------------------|---|-------|-------|
|                           | 2021 (from<br>the date of<br>Listing)                           | 2022  | 2023  |
| <b>Total amount .....</b> | 2,200   | 5,500 | 6,500 |

**Basis of Caps:** In determining the above caps, our Directors have considered the historical transaction amounts, the reduced scope of logistics services pursuant to the streamlining of our logistics services arrangement with the Jacobson Connected Persons subsequent to the Track Record Period and the expected demand for logistics services taking into account the projected sales of relevant products.

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## CONNECTED TRANSACTIONS

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### 2. Manufacturing Services Agreement

#### *Description of and reasons for the transaction*

During the Track Record Period, we (i) provided manufacturing services of selected generic drugs (being primarily non-branded and non-proprietary cough syrup and capsules for cough and nasal congestion (the “**Selected Generic Drugs**”)) to the Jacobson Connected Persons and (ii) utilized manufacturing services of the Jacobson Connected Persons for our antiseptic hand rubs under our Dr. Freeman (醫臣) brand. On January 19, 2021, our Company (on behalf of our subsidiaries) entered into an agreement with Jacobson Pharma (on behalf of its subsidiaries excluding our Group) (the “**Manufacturing Services Agreement**”) which is conditional upon the Listing, to govern (i) the provision of manufacturing services of the Selected Generic Drugs by us to the Jacobson Connected Persons and (ii) the provision of manufacturing services of antiseptic hand rubs and other selected branded healthcare products (such as antiseptic alcohol, lotion and mouthwash) under our Dr. Freeman (醫臣) brand (together, “**Dr. Freeman Products**”) by the Jacobson Connected Persons to us.

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 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 forms part of our Group pursuant to the Reorganization) and is accordingly being formalized under the Manufacturing Services Agreement as continuing connected transactions.

On the other hand, we have begun utilizing manufacturing services of the Jacobson Connected Persons for the Dr. Freeman Products because (i) demand for infection control products have surged as a result of the outbreak of COVID-19; (ii) we can timely capture the surge in demand for disinfectant products by utilizing existing production facilities of the Jacobson Connected Persons; (iii) we can expand our product offerings and launch our personal hygiene and infection control product series under our Dr. Freeman (醫臣) brand without having to deploy substantial capital and time to set up our own production lines or facilities for the production of such products before consumer demand or popularity has reached a reasonable critical mass and (iv) we have established a long-term business relationship with the Jacobson Connected Persons and they are familiar with our business needs, requisite quality standard and are a reliable business partner to us.

The initial term of the Manufacturing Services Agreement shall commence on the Listing Date and expire on March 31, 2023, and is renewable upon expiry at the discretion of our Group on terms to be agreed by the parties. The Manufacturing Services Agreement may be terminated during its term by us (in respect of the manufacturing services of Dr. Freeman products) by giving Jacobson Pharma not less than three-month’s prior written notice or by agreement of both parties.

#### *Pricing*

The manufacturing services fees payable by the Jacobson Connected Persons to us and the manufacturing fees payable by us to the Jacobson Connected Persons under the Manufacturing Services Agreement will be determined with reference to the costs of manufacturing, including all fixed and variable costs of labor, raw materials, electricity and utility charges and other production overheads, plus a profit margin of 15.0%, which will be no less favorable than (i) the prices chargeable by us to Independent Third Parties or (ii) the prices chargeable by Independent Third Parties to us.

## CONNECTED TRANSACTIONS

### *Historical transaction amounts*

The following table sets forth the manufacturing services fees paid by the Jacobson Connected Persons for the manufacturing of the Selected Generic Drugs for the periods indicated:

|   | Historical transaction amount (HK\$'000) |      |      |                               |
|---|--|------|------|-------------------------------|
|   | Year ended March 31,                     |      |      | Four months<br>ended July 31, |
|   | 2018                                     | 2019 | 2020 | 2020                          |
| <b>Total amount (approximately)</b> ..... | nil                                      | nil  | nil  | 993                           |

The following table sets forth the manufacturing services fees paid by us for the manufacturing of our antiseptic hand rub for the periods indicated:

|   | Historical transaction amount (HK\$'000) |      |       |                               |
|---|--|------|-------|-------------------------------|
|   | Year ended March 31,                     |      |       | Four months<br>ended July 31, |
|   | 2018                                     | 2019 | 2020  | 2020                          |
| <b>Total amount (approximately)</b> ..... | nil                                      | nil  | 6,075 | 3,513                         |

### *Annual caps and basis of caps*

**Annual Caps:** The maximum annual manufacturing services fees payable by the Jacobson Connected Persons and by us under the Manufacturing Services Agreement for each of the three years ending March 31, 2023 shall not exceed the caps set forth below:

*Manufacturing services fees of the Selected Generic Drugs payable by the Jacobson Connected Persons:*

|  | Proposed annual cap for the year ending March 31,<br>(HK\$'000) |       |       |
|--|---|-------|-------|
|  | 2021 (from<br>the date of<br>Listing)                           | 2022  | 2023  |
|  | <b>Total amount</b> .....                                       | 1,500 | 3,500 |

*Manufacturing services fees of the Dr. Freeman Products payable by us:*

|  | Proposed annual cap for the year ending March 31,<br>(HK\$'000) |       |       |
|--|---|-------|-------|
|  | 2021 (from<br>the date of<br>Listing)                           | 2022  | 2023  |
|  | <b>Total amount</b> .....                                       | 2,500 | 6,500 |

**Basis of Caps:** In determining the above caps for manufacturing services fees payable by the Jacobson Connected Persons, our Directors have considered the expected demand from the Jacobson Connected Persons for manufacturing services of generic drugs based on the historical sales of such products and the production orders projected by the Jacobson Connected Persons.

In determining the above caps for the manufacturing services fees payable by us, our Directors have considered the projected sales for the existing Dr. Freeman Products and our business plan for other Dr. Freeman Products.

## CONNECTED TRANSACTIONS

### 3. Overseas Sales Administrative Services Agreement

#### *Description of and reasons for the transaction*

During the Track Record Period, the Jacobson Connected Persons provided us with overseas sales administrative services, which included but were not limited to orders management as well as sales and customer support services. On January 19, 2021, our Company (on behalf of our subsidiaries) entered into an agreement with Jacobson Pharma (on behalf of its subsidiaries excluding our Group) (the “**Overseas Sales Administrative Services Agreement**”) which is conditional upon the Listing, in order to govern the provision of the Remaining Parent Group’s overseas sales administrative services in Macau, Singapore and Taiwan to us.

We would be utilizing overseas sales administrative services provided by the Jacobson Connected Persons after the Listing because (i) we would not be establishing local offices or hiring local employees in these jurisdictions in the near future, given the relatively small sales contribution by customers in these markets to us at present; (ii) the Jacobson Connected Persons have local offices and employees who are familiar with our business needs, the requirements of our customers and their local practices and (iii) the overseas sales aspects of our on-going operations can continue uninterrupted.

The Overseas Sales Administrative Services Agreement shall commence on the Listing Date and expire on March 31, 2023, and is renewable upon expiry at the discretion of our Group on terms to be agreed by the parties. The Overseas Sales Administrative Services Agreement may be terminated during its term by us by giving Jacobson Pharma not less than three-month’s prior written notice or by agreement of both parties.

#### *Pricing*

The services fee under the Overseas Sales Administrative Services Agreement payable by us will be determined with reference to the costs and expenses of providing relevant services (such as salaries of staff employed and related expenses, and general office and administrative expenses).

#### *Historical transaction amounts*

The following table sets forth the total service fees paid by us for the provision of overseas sales administrative services for the periods indicated:

|   | Historical transaction amount (HK\$’000) |      |      |                               |
|---|--|------|------|-------------------------------|
|   | Year ended March 31,                     |      |      | Four months<br>ended July 31, |
|   | 2018                                     | 2019 | 2020 | 2020                          |
| <b>Total amount (approximately)</b> ..... | nil                                      | 450  | 921  | 1,117                         |

#### *Annual caps and basis of caps*

**Annual Caps:** The maximum service fees payable by us under the Overseas Sales Administrative Services Agreement for the three years ending March 31, 2023 shall not exceed the caps set forth below:

|                           | Proposed annual cap for the year ending March 31,<br>(HK\$’000) |       |       |
|---------------------------|---|-------|-------|
|                           | 2021 (from<br>the date of<br>Listing)                           | 2022  | 2023  |
| <b>Total amount</b> ..... | 1,500   | 4,200 | 4,500 |

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## CONNECTED TRANSACTIONS

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**Basis of Caps:** In determining the above caps, our Directors have considered the historical transaction amounts, the expected service fees payable for sales administrative services in these overseas markets after the Listing, the projected sales for our products overseas and sales and marketing plans of our overseas businesses.

### CORPORATE GOVERNANCE MEASURES

We have adopted the following internal control and corporate governance measures to ensure that our transactions with Jacobson Connected Persons will be conducted on normal commercial terms and in accordance with the relevant agreements:

- (a) the Audit Committee of our Board will be reviewing and evaluating the terms of the agreements for the continuing connected transactions, in particular the pricing principles and annual caps, to ensure that such terms are fair and reasonable to our Group and compliant with the Listing Rules;
- (b) our Directors, including the independent non-executive Directors, will be able to seek independent professional advice in respect of the continuing connected transactions from external professional parties in appropriate circumstances;
- (c) our various internal departments (including but not limited to our finance and accounting department, sales department and production department) will regularly monitor the implementation of the continuing connected transactions and keep track of the aggregate transaction amounts under the relevant agreements to ensure that the pricing principles and annual caps contained therein are complied with;
- (d) we have adopted relevant reporting and record-keeping procedures to allow our independent non-executive Directors and our auditors to perform annual review of the continuing connected transactions under the agreements and provide annual confirmations in accordance with the Listing Rules; and
- (e) we will duly disclose in our annual report the continuing connected transactions to be conducted during each financial year, together with the conclusions drawn by our independent non-executive Directors on whether the transactions are conducted in our ordinary and usual course of business, on normal commercial terms or better, and according to the relevant agreements on terms that are fair and reasonable and in the interests of our Shareholders as a whole.

### WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

As stated above, the Partially Exempt Continuing Connected Transactions will be exempt from the circular and independent shareholders' approval requirements but subject to the announcement, reporting and annual review requirements under Chapter 14A of the Listing Rules.

After the Listing, we expect to continue to carry out the transactions contemplated under the Partially Exempt Continuing Connected Transactions on a recurring and continuing basis. As the material terms of each of the Partially Exempt Continuing Connected Transactions are disclosed in this prospectus and potential investors will participate in the Public Offer on the basis of such relevant disclosures, our Directors consider that strict compliance with the announcement requirement under Chapter 14A of the Listing Rules would be unduly burdensome and, in particular, would induce unnecessary administrative costs to us.

As a result, our Company has applied to the Stock Exchange for, and has been granted, a waiver under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules in respect of the Partially Exempt Continuing Connected Transactions.

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## **CONNECTED TRANSACTIONS**

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If any material terms of the transactions contemplated under the abovementioned agreements are altered or if we enter into any new agreements with any connected persons in the future, we will fully comply with the relevant requirements under Chapter 14A of the Listing Rules unless we apply for and obtain a separate waiver from the Stock Exchange.

### **OUR DIRECTORS' VIEWS**

In the view of our Directors (including our independent non-executive Directors), it is in our interests to continue with or commence the continuing connected transactions described in this section after the Listing, and that all these transactions are conducted on normal commercial terms or better, are entered into in our ordinary and usual course of business, the terms are fair and reasonable and are in the interests of our Company and our Shareholders as a whole. In addition, the proposed annual caps for the continuing connected transactions described above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

### **CONFIRMATION FROM THE SOLE SPONSOR**

The Sole Sponsor has reviewed the relevant documents and information provided by us. Based on the data and information provided, having made reasonable inquiries and after due and careful consideration, the Sole Sponsor is of the view that as of the date of this prospectus, the continuing connected transactions for which waivers have been sought, are entered into in our ordinary and usual course of business, on normal commercial terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the respective proposed annual caps are fair and reasonable and in the interests of our Company and our Shareholders as a whole.