Jacobson Pharma Corporation Limited
雅各臣科研製藥有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 2633)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2023

FINANCIAL HIGHLIGHTS

- The revenue for the financial year ended 31 March 2023 amounted to approximately HK$1,785.6 million, representing an increase of about 11.9% as compared to that of approximately HK$1,595.5 million for the corresponding year of 2022.

- Profit from operations for the same financial year amounted to approximately HK$410.8 million, representing an increase of about 57.5% as compared to that of approximately HK$260.9 million for the corresponding year of 2022.

- Profit for the year amounted to approximately HK$283.2 million, representing an increase of about 50.9% as compared to that of approximately HK$187.7 million for the corresponding year of 2022.

- The Board recommends the payment of a final dividend for the year ended 31 March 2023 of HK2.38 cents per ordinary share for the total amount of approximately HK$46.0 million (2022 final dividend: HK2.68 cents per share). Total dividend for the year ended 31 March 2023 amounts to HK5.18 cents per ordinary share (2022: HK3.88 cents per ordinary share).

- A special dividend is also recommended by the Board in the form of distribution in specie on the basis of 509 JBM Shares for every 2,000 shares held by equity shareholders of the Company.

The Board is pleased to announce the audited consolidated annual results of the Group for the year ended 31 March 2023, together with the comparative figures for the corresponding year of 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

		Year ended 31 March	
	Note	**2023**	2022
		HK$'000	*HK$'000*
Revenue	*4*	**1,785,579**	1,595,543
Cost of sales		**(1,038,407)**	(975,021)
Gross profit		**747,172**	620,522
Other net income	*5*	**91,658**	40,499
Selling and distribution expenses		**(196,723)**	(184,087)
Administrative and other operating expenses		**(231,347)**	(216,046)
Profit from operations		**410,760**	260,888
Finance costs	*6(A)*	**(67,445)**	(25,687)
Share of losses of associates		**(2,842)**	(3,555)
Share of losses of joint ventures		**(718)**	(213)
Profit before taxation	*6*	**339,755**	231,433
Income tax	*7*	**(56,546)**	(43,728)
Profit for the year		**283,209**	187,705
Other comprehensive income for the year			
Item that will not be reclassified subsequently to profit or loss, net of nil tax:			
Revaluation of financial assets at fair value through other comprehensive income		**110,740**	(26,117)
Item that may be reclassified subsequently to profit or loss, net of nil tax:			
Exchange differences on translation of financial statements of operations outside Hong Kong		**(2,683)**	375
Other comprehensive income for the year		**108,057**	(25,742)
Total comprehensive income for the year		**391,266**	161,963

	Note	Year ended 31 March 2023 HK$'000	2022 HK$'000
Profit attributable to:			
Equity shareholders of the Company		**251,044**	177,666
Non-controlling interests		**32,165**	10,039
Total profit for the year		**283,209**	187,705
Total comprehensive income attributable to:			
Equity shareholders of the Company		**359,101**	151,924
Non-controlling interests		**32,165**	10,039
Total comprehensive income for the year		**391,266**	161,963
		HK cents	*HK cents*
Earnings per share	*8*		
Basic and diluted		**13.13**	9.27

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

		As at 31 March	
		2023	2022
	Note	***HK$'000***	*HK$'000*
Non-current assets			
Investment properties		**181,172**	230,472
Property, plant and equipment		**1,502,148**	1,503,773
Intangible assets		**1,320,075**	1,303,177
Interests in associates		**51,821**	53,929
Interests in joint ventures		**3,616**	4,334
Other non-current assets		**39,693**	58,688
Other financial assets		**514,330**	412,766
Deferred tax assets		**10,231**	10,156
		3,623,086	3,577,295
Current assets			
Inventories		**368,003**	314,557
Trade and other receivables	*10*	**351,360**	380,546
Current tax recoverable		**1,632**	4,489
Cash and cash equivalents		**1,036,418**	478,653
		1,757,413	1,178,245
Current liabilities			
Trade and other payables and contract liabilities	*11*	**283,653**	159,411
Bank loans		**309,554**	612,178
Lease liabilities		**34,823**	33,970
Current tax payable		**28,405**	20,825
		656,435	826,384
Net current assets		**1,100,978**	351,861
Total assets less current liabilities		**4,724,064**	3,929,156

	Note	As at 31 March 2023 HK$'000	2022 HK$'000
Non-current liabilities			
Bank loans		**1,234,153**	729,472
Lease liabilities		**20,534**	34,319
Deferred tax liabilities		**212,855**	207,400
		1,467,542	971,191
NET ASSETS		**3,256,522**	2,957,965
CAPITAL AND RESERVES			
Share capital	*12*	**19,078**	19,157
Reserves		**2,717,611**	2,472,159
Total equity attributable to equity shareholders of the Company		**2,736,689**	2,491,316
Non-controlling interests		**519,833**	466,649
TOTAL EQUITY		**3,256,522**	2,957,965

NOTES

1 CORPORATE INFORMATION

Jacobson Pharma Corporation Limited is an exempted company with limited liability incorporated in the Cayman Islands. The Company is an investment holding company. The Company and its subsidiaries are principally engaged in the development, production, marketing and sale of generic drugs and branded healthcare products. The Company's shares were listed on the Main Board on 21 September 2016.

2 BASIS OF PREPARATION

The financial results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 March 2023 but are extracted from those consolidated financial statements.

The consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the consolidated financial statements for the year ended 31 March 2022, except for the changes in accounting policies as set out in note 3.

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Listing Rules.

The consolidated financial statements of the Group are prepared on the historical cost basis except for investment properties and investments measured as financial assets at fair value through other comprehensive income and at fair value through profit or loss ("**FVPL**") which are stated at fair values.

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to its financial statements for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKAS 16, Property, plant and equipment: Proceeds before intended use

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

Amendments to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 April 2022, and has concluded that none of them is onerous.

4 REVENUE AND SEGMENT REPORTING

(A) Revenue

The principal activities of the Group are development, production, marketing and sale of generic drugs and branded healthcare products. All the revenue for the years ended 31 March 2023 and 2022 was recognised in accordance with HKFRS 15, *Revenue from contracts with customers*. The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts and does not disclose information about remaining performance obligations that have original expected duration of one year or less.

Revenue represents the sales value of goods supplied to customers less returns and sales rebates and is after deduction of any trade discounts.

(B) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Generic drugs: this segment develops, manufactures and/or distributes a host of off-patent medicines for various therapeutic use. Currently the activities in this regard are primarily carried out in Hong Kong.

– Branded healthcare: this segment develops, manufactures and/or distributes branded medicines, proprietary Chinese medicines and health and wellness products. Currently the activities in this regard are primarily carried out in Hong Kong.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including interest income and finance costs and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA, the Group's earnings are further adjusted for share of losses of associates, share of losses of joint ventures and non-recurring items not attributable to the operations of individual segments.

Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Segment assets and liabilities of the Group are not reported to the Group's chief operating decision makers regularly. As a result, reportable assets and liabilities have not been presented in this announcement.

(i) ***Segment revenue and results***

Information regarding the Group's reportable segments as provided to the Group's chief operating decision makers for the purposes of resource allocation and assessment of segment performance for the year is set out below:

	Generic drugs		**Branded healthcare**		**Total**	
	Year ended 31 March		**Year ended 31 March**		**Year ended 31 March**	
	2023	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers recognised at a point in time	**1,267,598**	1,191,360	**517,981**	404,183	**1,785,579**	1,595,543
Inter-segment revenue	**270**	247	**2,342**	1,956	**2,612**	2,203
Reportable segment revenue	**1,267,868**	1,191,607	**520,323**	406,139	**1,788,191**	1,597,746
Reportable segment profit (adjusted EBITDA)	**362,675**	355,988	**205,771**	85,741	**568,446**	441,729

(ii) ***Reconciliations of reportable segment revenue and profit or loss***

	Year ended 31 March	
	2023	2022
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**1,788,191**	1,597,746
Elimination of inter-segment revenue	**(2,612)**	(2,203)
Consolidated revenue	**1,785,579**	1,595,543
Profit		
Reportable segment profit	**568,446**	441,729
Elimination of inter-segment profit	**(273)**	(115)
Reportable segment profit derived from the Group's external customers	**568,173**	441,614
Interest income from bank deposits and investments	**18,147**	1,889
Gain on deemed disposal of equity interest in a joint venture	**8,900**	–
Dividend income from an investment	**–**	1,132
Fair value gain on investment properties	**–**	8,046
Fair value gain on disposal of other financial assets measured at FVPL	**–**	3,304
Depreciation and amortisation	**(184,460)**	(192,597)
Finance costs	**(67,445)**	(25,687)
Impairment losses on intangible assets	**–**	(2,500)
Share of losses of associates	**(2,842)**	(3,555)
Share of losses of joint ventures	**(718)**	(213)
Consolidated profit before taxation	**339,755**	231,433

(iii) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the goods are distributed to distributors or the ultimate customers by the Group or the consignees.

	Year ended 31 March	
	2023	2022
	HK$'000	*HK$'000*
Revenue from external customers		
Hong Kong (place of domicile)	**1,552,272**	1,428,422
Mainland China	**156,307**	79,971
Macau	**48,066**	59,619
Singapore	**9,993**	12,570
Others	**18,941**	14,961
	1,785,579	1,595,543

The following table sets out information about the geographical location of the Group's investment properties, property, plant and equipment, intangible assets, other non-current assets and interests in associates and joint ventures ("**specified non-current assets**"). The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of investment properties, property, plant and equipment and non-current prepayments for property, plant and equipment, the location of the operations to which they are allocated, in the case of intangible assets and other non-current prepayments, and the location of operations, in the case of interests in associates and joint ventures.

	As at 31 March	
	2023	2022
	HK$'000	*HK$'000*
Specified non-current assets		
Hong Kong (place of domicile)	**2,964,728**	3,025,001
Mainland China	**42,278**	47,981
Macau	**149**	–
Taiwan	**5,111**	4,940
Cambodia	**86,259**	76,451
	3,098,525	3,154,373

(iv) Information about major customers

For the year ended 31 March 2023, the Group's customer base includes one (2022: one) customer of generic drugs and branded healthcare segments with whom transactions have exceeded 10% of the Group's revenue. Revenue from sales of generic drugs and branded healthcare products to this customer, including sales to entities which are known to the Group to be under common control amounted to approximately HK$614,198,000 (2022: HK$569,478,000).

5 OTHER NET INCOME

	Year ended 31 March	
	2023	2022
	HK$'000	*HK$'000*
Commission income	**2,153**	1,621
Interest income from bank deposits and investments	**18,147**	1,889
Net foreign exchange gain	**2,789**	53
Net (loss)/gain on disposals of property, plant and equipment	**(1,419)**	687
Net loss on disposals of intangible assets	**(2,130)**	(433)
Net distribution and logistic service income	**18,257**	11,533
Subcontracting income	**6,198**	9,090
Rental income	**862**	914
COVID-19-related rent concessions	**208**	245
Gain on deemed disposal of equity interest in a joint venture	**8,900**	–
Government grants *(Note)*	**34,185**	–
Dividend income from an investment	**–**	1,132
Fair value gain on investment properties	**–**	8,046
Fair value gain on disposal of other financial assets measured at FVPL	**–**	3,304
Others	**3,508**	2,418
	91,658	40,499

Note: During the year ended 31 March 2023, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the HKSAR Government. The purpose of the funding is to provide financial support to employers to retain their current employees or hire more employees when the business revives. Under the terms of the grant, the Group is required to employ a sufficient number of employees with reference to its proposed employee headcounts in each subsidy month.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(A) Finance costs

	Year ended 31 March	
	2023	2022
	HK$'000	*HK$'000*
Interest on bank loans and other borrowings	**65,860**	24,208
Interest on lease liabilities	**1,585**	1,479
	67,445	25,687

(B) Other items

	Year ended 31 March	
	2023	2022
	HK$'000	*HK$'000*
Depreciation		
– owned property, plant and equipment	**99,543**	101,019
– right-of-use assets	**42,830**	44,617
	142,373	145,636
Amortisation of intangible assets	**42,087**	46,961
Impairment losses on intangible assets	**–**	2,500
Auditors' remuneration		
– audit services	**6,678**	6,218
– other services	**2,658**	2,985
Research and development costs (other than amortisation of capitalised development costs)	**1,166**	6,647
Rentals received from investment properties less direct outgoings of HK$363,000 (2022: HK$102,000)	**499**	812
Cost of inventories	**1,038,407**	975,021

7 INCOME TAX

Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended 31 March	
	2023	2022
	HK$'000	*HK$'000*
Current tax		
Provision for the year	**59,319**	40,856
(Over)/under-provision in respect of prior years	**(1,291)**	1,611
	58,028	42,467
Deferred tax		
Reversal and origination of temporary differences	**(1,482)**	1,261
	56,546	43,728

The provision for Hong Kong Profits Tax for the year is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year. Income tax for entities incorporated in other jurisdictions is charged at the appropriate rates of taxation ruling in the relevant jurisdictions.

8 EARNINGS PER SHARE

(A) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$251,044,000 for the year ended 31 March 2023 (2022: HK$177,666,000) and the weighted average ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	Year ended 31 March	
	2023	2022
	'000	*'000*
Shares of the Company issued at the beginning of the year	**1,915,677**	1,915,677
Effect of shares held for Share Award Scheme	**(4,316)**	–
Weighted average number of ordinary shares in issue during the year	**1,911,361**	1,915,677

(B) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK$251,044,000 for the year ended 31 March 2023 (2022: HK$177,666,000) and the weighted average ordinary shares, calculated as follows:

Weighted average number of ordinary shares:

	Year ended 31 March	
	2023	2022
	'000	*'000*
Weighted average number of ordinary shares at 31 March	**1,911,361**	1,915,677
Effect of share award granted under the Share Award Scheme	**332**	–
	1,911,693	1,915,677

9 DIVIDENDS

(A) Dividends payable to equity shareholders attributable to the year

(i) Dividend in the form of cash

	Year ended 31 March	
	2023	2022
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK2.80 cents per share (2022: HK1.20 cent per share)	**53,030**	22,988
Final dividend proposed after the end of the Reporting Period of HK2.38 cents per share (2022: HK2.68 cents per share) *(Note)*	**46,034**	51,837
	99,064	74,825

Note: The final dividend proposed after the end of the Reporting Period has not been recognised as a liability at the end of the Reporting Period.

(ii) Special dividend in the form of distribution in specie

A special dividend is also recommended by the Board on 15 June 2023 in the form of distribution in specie of 492,259,244 JBM Shares on the basis of 509 JBM Shares for every 2,000 shares held by equity shareholders of the Company whose names appear on the register of members of the Company on 18 August 2023. Based on the published closing price of HK$1.09 per JBM Share on 15 June 2023, the special dividend represents a distribution of approximately HK27.74 cents per share. The special dividend proposed after the end of the Reporting Period has not been recognised as a liability at the end of the Reporting Period. After the distribution of special dividend, the Group will have no control of and no longer consolidate JBM Healthcare.

(B) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the year

	Year ended 31 March	
	2023	2022
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year of HK2.68 cents per share (2022: HK1.50 cents per share)	**51,837**	29,013
Less: Dividend of shares held by Share Award Scheme	**(839)**	(278)
	50,998	28,735

10 TRADE AND OTHER RECEIVABLES

	As at 31 March	
	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**288,231**	308,943
Other receivables	**9,321**	11,933
Deposits and prepayments	**52,104**	51,426
Amounts due from associates	**1,704**	1,739
Amounts due from joint ventures	**–**	6,505
	351,360	380,546

Ageing Analysis

As at the end of the Reporting Period, the ageing analysis of trade receivables (which are included in trade and other receivables) based on the invoice date and net of loss allowance, is as follows:

	As at 31 March	
	2023	2022
	HK$'000	*HK$'000*
Less than 1 month	**180,287**	192,302
1 to 6 months	**102,991**	69,940
Over 6 months	**4,953**	46,701
	288,231	308,943

11 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	As at 31 March	
	2023	2022
	HK$'000	*HK$'000*
Trade payables	**80,245**	50,460
Salary and bonus payables	**58,318**	51,587
Payables and accruals for addition of property, plant and equipment	**390**	1,080
Other payables and accruals	**87,815**	50,544
Contract liabilities	**54,885**	3,740
Amount due to a joint venture	**2,000**	2,000
	283,653	159,411

Ageing Analysis

As at the end of Reporting Period, the ageing analysis of trade payables (which are included in trade and other payables and contract liabilities), based on the invoice date, is as follows:

	As at 31 March	
	2023	2022
	HK$'000	*HK$'000*
Less than 1 month	**44,398**	31,317
1 to 6 months	**35,708**	18,909
Over 6 months	**139**	234
	80,245	50,460

12 SHARE CAPITAL

	Number of shares *'000*	Amount *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each at 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	**5,000,000**	50,000
Issued:		
At 1 April 2021, 31 March 2022 and 1 April 2022	**1,915,677**	19,157
Shares acquired for Share Award Scheme *(Note)*	**(31,756)**	(318)
Shares vested for Share Award Scheme *(Note)*	**23,900**	239
At 31 March 2023	**1,907,821**	19,078

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Note: On 16 October 2018, the Share Award Scheme was adopted by the Company. Pursuant to the Share Award Scheme, the Directors are authorised, at their discretion to determine individuals of any companies in the Group, for granting them the Company's shares. The Share Award Scheme will be valid and effective for a period of 10 years commencing from 16 October 2018.

The Company's shares to be granted under the Share Award Scheme will be purchased and held by a trustee. The maximum of purchases by the trustee in any financial year will be fixed by the Board but such purchases will not result in the trustee holding at any time more than 3% of the total issued shares of the Company.

In addition, unless approved by the Board, no share award will be granted to any individual if granting of such share award would result in the total number of shares granted to the individual during any 12-month period exceeding 0.5% of the total issued shares of the Company (0.1% of the total issued shares of the Company in case for an independent non-executive Director).

During the year ended 31 March 2023, the Share Award Scheme acquired 31,756,000 shares through purchases on the open market. The total amount paid to acquire the shares during the period was approximately HK$27,072,000. During the year ended 31 March 2022, the Share Award Scheme did not acquire any shares through purchases on the open market.

During the year ended 31 March 2023, the Company has granted a total of 24,900,000 shares to eligible grantees, including certain Directors and employees of the Group. There was no share award granted under the Share Award Scheme during the year ended 31 March 2022.

Details of the shares awarded under the Share Award Scheme during the year ended 31 March 2023 are as follows:

	Number of Shares					
Date of grant	**As at 1 April 2022**	**Granted during the year**	**Vested during the year**	**Lapsed during the year**	**As at 31 March 2023**	**Vesting date**
11 April 2022	–	10,000,000	(10,000,000)	–	–	31 May 2022
1 December 2022	–	12,900,000	(12,900,000)	–	–	18 January 2023
1 December 2022	–	1,000,000	(1,000,000)	–	–	1 March 2023
1 December 2022	–	1,000,000	–	–	1,000,000	1 December 2023
	–	24,900,000	(23,900,000)	–	1,000,000	

13 SCOPE OF WORK OF AUDITOR

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

CHAIRMAN'S STATEMENT

Dear Partners and Shareholders,

Delivering Growth with Resolve and Resilience

FY2023 was another remarkable year for Jacobson as we continued to realize our growth strategies, bolstered the pipeline and core competencies while striving for enhanced operating efficiency. As I said last year, albeit the continued impact of the pandemic, there were reasons to be optimistic that a healthier future was within our grasp. Alongside the gradual relaxation of control and prevention measures during the second half of the year, there was a notable rebound of economic activity coupled with an increase in consumer confidence towards the fourth quarter of the financial year. We are truly grateful for the selfless commitment of our teams, who helped the Company navigate through the immense challenges during times of uncertainty.

Medical progress and technological advances are evolving with impressive speed, even in a sphere of increasing uncertainty and volatility. Two years ago, we initiated a transformation of our group companies to further improve our commercial execution and operational performance in order to align with our growth strategy as a pure-play pharmaceutical and healthcare company. While Jacobson has pursued target-oriented strategic transformation, the essence of our company vision remains the same. Our mission of "delivering healthcare as a trusted partner" is central to our underlying purpose of enhancing healthcare delivery by making quality medicines more accessible to those in need.

Operating with Discipline

Operational performance for Jacobson in FY2023 was excellent, with strong growth in sales of generic drugs and specialty medicines in both Private and Public Sectors. There were several notable progress and accomplishments, including:

1. launched 22 new generics and specialty medicines as the portfolio continued to shift towards more complex and specialty formulae;

2. advanced our specialty medicine pipeline with the addition of Mycophenolate infusion, Idarubin injection and Solifenacin tablet;

3. delivered strong growth in key promoted products, including Valsartan/Amlodipine and Arsenic Trioxide, leveraging an expanded commercial team;

4. achieved continued growth in our cardiovascular products, particularly in the public sector, by gaining new tenders on Trimetazidine modified release tablet and Ramipril tablet; and

5. bolstered key core capabilities in our R&D, commercial and in-licensing network.

This is the start of a sustained period of growth for the Group businesses, highlighted by 11.9% growth in revenue and 28.7% growth in adjusted EBITDA. One of the key achievements in FY2023 was the improvement in gross margin from 38.9% to 41.8% driven by new product launches and operating efficiency. In addition, we enhanced our business in high-growth product formulae, including suppository and complex generics, and further built capabilities that we believe will serve the Group well in the long term. We generated approximately HK$677.7 million in cash from operation in FY2023, which supported investments in building capabilities and a proposed final dividend of HK2.38 cents per share. Combined with the interim dividend of HK2.80 cents per share, this represents a 33.5% increase in dividends over the preceding year.

Operating Responsibly to Deliver Positive ESG Impact

At Jacobson, we are guided by a deep sense of purpose: Delivering health as a trusted partner. To us, "health" not only represents our commitment to producing quality, accessible medicines, but also to elevating our people and our community, striving for responsibility in social and environmental stewardship. We are driving this vision by enriching the diversity and capabilities of our staff members. We are directing our R&D capabilities to create more affordable generics of complex products that improve patients' access to essential medicines. Thus, we are determined to establish a paradigm that combines business strategy and sustainable development, ensuring we can pursue our aspirations in a cohesive manner.

As an integral part of our environmental commitments, we have established a set of environmental targets for FY2023 and FY2024. We are thrilled to announce that Jacobson has been progressing well on this front. Our key initiatives in this regard include developing policies relating to environmental management, recycling and waste management, conducting a waste baseline study, and carrying out a feasibility study on water usage. In the environmental domain, a roadmap to record packaging materials by weight to facilitate data collection is already in place, while a plan to install solar panels and promote the transition to green energy has been put forward. In the social domain, we set out initiatives to build a stronger connection with employees and devote resources to support social advocacy and therapeutic communities such as the Children's Cancer Foundation.

As a key player in the pharmaceutical industry, we aim to lead the way in embracing sustainability. We will collaborate with like-minded stakeholders to drive the ESG initiatives, with a view to contributing to the betterment of healthcare delivery in our society and ultimately building resilience in our economy. We are committed to building a legacy that centers on positively impacting the environment and society while pursuing our long-term vision.

Looking Ahead with Confidence

As we enter 2023, I am delighted by the gradual yet swift recovery of market confidence and vitality, hence the growth prospects of our business. As ever, it is our people who fuel this confidence. I want to thank them for all they have contributed during FY2023 and the strong momentum they are carrying forward to years ahead and beyond.

Lastly, I would like to thank our colleagues, partners, and shareholders for their unwavering support throughout the year. I eagerly look forward to what promises to be an exciting FY2024 for Jacobson.

Sum Kwong Yip, Derek
Chairman and CEO
JACOBSON PHARMA CORPORATION LIMITED

Hong Kong, 15 June 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Throughout FY2023, the Group maintained a steady and solid operating performance despite the ongoing challenges posed by the COVID-19 pandemic and the dampened economy. Although the first half of the year was marked by a turbulent start in the wake of the severe fifth wave of COVID-19 outbreak in Hong Kong, the HKSAR Government's progressive relaxation of social distancing and travel restrictions in the second half of the year gradually led to the rebound of economic and social activities, contributing to a notable growth momentum for the Group's performance.

In spite of the challenging market and operating environments, the Group posted a year-on-year growth of 11.9% in its total revenue, amounting to HK$1,785.6 million. We continued to demonstrate resilience and made steady progress towards our strategic objectives throughout the year. Our full-year performance reflected the growth we achieved across our businesses, with enhanced operational efficiency and sound cost discipline.

As we continued to vigorously pursue our growth strategies, we remained steadfast in consolidating our position as a leading player in Hong Kong's generic drugs market. This was accomplished by intensifying efforts to enhance our R&D pipeline, lift production capabilities, diversify our product portfolio, and refine commercial execution while strengthening our sales platforms.

We also made meaningful progress in building our ESG framework and measures. We strongly believe that operating responsibly is crucial to the success and sustainability of any business. Our commitment to embedding ESG objectives, strategies, and initiatives into the way we operate and conduct business supports our sustainable performance and long-term growth. These efforts also help us build trust with our stakeholders and deliver positive social impact.

To support this commitment, we have developed comprehensive ESG policy statements and targets that are aligned with the United Nations Sustainable Development Goals. These policy statements and targets are underpinned by expansive action plans that provide a roadmap for our progress and ensure accountability across our organisation, as outlined in our ESG Report.

RESULTS

Sustained Momentum across Group's Businesses

During the Reporting Period, the Group's generics business demonstrated strong resilience, with a steady year-on-year growth of 6.4% and revenue reaching HK$1,267.6 million. This growth was fueled by the heightened demand for COVID-19 symptomatic relief medications, alongside the relaxation of pandemic-related restrictions, which enabled the resumption of medical consultation visits and boosted the demand for essential drugs as well as specialty medicines for chronic diseases.

The Group's branded consumer healthcare subsidiary, JBM Healthcare (HKSE stock code: 2161), achieved sales revenue growth of 28.1% to HK$520.3 million during the Reporting Period. Profit attributable to equity shareholders of JBM Healthcare increased by 132.1% to HK$57.1 million, primarily due to the gradual lifting of COVID-19 measures in Hong Kong, which boosted retail spending sentiment and overall sales recovery, particularly in the last quarter of the year. The growth was also supported by robust performance on the cross-border e-commerce platform as well as the subsidies from the HKSAR Government's Employment Support Scheme during the Reporting Period.

With strong cash flows and a healthy financial position, the Group maintained an adjusted EBITDA of HK$568.2 million during the Reporting Period. The net gearing ratio decreased significantly from 29.2% as of 31 March 2022, to 15.6% at the end of the Reporting Period. The Group's cash position remained strong, with a balance of HK$1,036.4 million as at the end of the Reporting Period.

OPERATION PERFORMANCE

Extensive Portfolio to Meet Patients' Demand

As the leading generics manufacturer in Hong Kong, the Group maintains a broad yet targeted portfolio of essential and specialized medications catering to the healthcare demand of the public.

To meet the increased demand for symptomatic relief medications during Hong Kong's fifth wave of COVID-19 outbreak, the Group implemented effective measures to ramp up production and ensure an adequate supply, catering to the crucial healthcare requirements of the public during this challenging period. As a result, our cold and flu range experienced significant sales growth over the Reporting Period.

Products targeting the elderly and chronic disease populations continued to witness robust demand. The Group experienced noteworthy sales growth in its cardiovascular product range, which includes lipid-lowering, anti-anginal, beta-blockers, and angiotensin II antagonist medications. Similarly, the product category for bladder and prostate disorders saw a significant rise due to heightened usage of Terazosin Tablets and the introduction of Solifenacin Tablets to the market.

Furthermore, the psoriasis preparations and antiviral drug classes demonstrated robust growth. Additionally, there was strong growth observed in the product categories of analgesics and antipyretics, non-steroidal anti-inflammatory drugs, antiasthmatics, hypnotics, and antihistamines compared to the previous period.

Market Access for Fosun BioNTech COMIRNATY Vaccines

The Group acts as the distributor of the Fosun BioNTech COMIRNATY Vaccine (the "**Vaccine**") in Hong Kong and Macau. Both Fosun BioNTech's COMIRNATY BNT162b2 and COMIRNATY Bivalent vaccines have obtained market authorization in Hong Kong and regulatory approval as routine import vaccines in Macau. This development has led to full coverage in public and private markets across Hong Kong and Macau.

The vaccination program was rolled out in March 2021 in collaboration with health authorities, and as of the end of the Reporting Period, around 12.3 million doses of the Vaccine have been delivered for administration. Supported by a specialised team of medical professionals, we continue to provide 24-hour medical information services to the public to deliver the premier vaccine and service support, ensuring the utmost health of the citizens of Hong Kong and Macau.

New Product Introduction

Through our continuous efforts to introduce high-quality generic drugs to meet medical and patient needs, the Group launched 22 new products in the Reporting Period, including Entecavir Tablet, Bicalutamide Tablet, Trimetazidine Modified Release Tablet, Olmesartan Tablets, Ramipril Tablets, Solifenacin Tablets, Finasteride Tablets, Mycophenolate Infusion, Idarubicin Injection and Ofloxacin Ear Drops and Homatropine Eye Drops.

Furthermore, the Group has obtained registration approval for 35 new products, paving the way for future market launches.

Veterinary Medicine

We recognise the intrinsic connection between human and animal health in our shared environments. As companion animals have become increasingly significant contributors to well-being and lifestyle in Hong Kong, we see a vast and growing potential in veterinary medicine.

To address the rising demand for quality veterinary medicines and supplements, our veterinary health division now supports over 1,000 veterinarians and 200 clinics across Hong Kong with a diverse and expanding portfolio of over 400 therapeutics.

Our goal is to strengthen collaboration with the veterinary sector, promoting advanced specialist care for animals through the products and services we provide. Our efforts are backed by a specialist-oriented portfolio, a skilled professional team, and Good Distribution Practice accredited logistics and facilities, all working together to support the development and growth of our veterinary medicine business.

Steady Progress of R&D Pipeline

We adhere to a prudent and disciplined approach to R&D, continuously optimising our pipeline to focus on high-demand therapeutic areas such as cardiovascular health, gastrointestinal well-being, and diabetes management.

We made steady progress in advancing our R&D pipeline over the Reporting Period. A total of 14 products completed development and were submitted for regulatory approval. Additionally, 6 products have also started stability studies.

As of 31 March 2023, our R&D pipeline consists a total of 179 products, with 60 products receiving marketing authorisation approval, 14 submitted for registration, 56 completed development and currently undergoing stability study, and 17 items in the formulation or pre-formulation research development stage.

Through a strategic and targeted R&D program, we prioritise chronic diseases and high-growth therapeutic areas to offer top-quality, affordable essential and specialised medications to patients in need. Our consistent progress over the years demonstrates our unwavering commitment to delivering accessible healthcare solutions to the general public.

Scaling Production to Meet Growing Demand

The Group's manufacturing output experienced steady growth in FY2023 as economic activities and daily life gradually returned to normal with the COVID-19 pandemic subsiding. As a result of the relaxation of social distancing measures by the HKSAR Government, which facilitated patient consultation visits to public and private hospitals and clinics, the Group benefited from the boosted demand for essential medicines during the Reporting Period.

To meet the elevated demand for essential medicines, primarily symptomatic relief medications for COVID-19, the Group worked diligently to maximise productivity by optimising efficiency and flexibility across our manufacturing sites. The Group swiftly responded and ramped up our liquid dosage form production reaching approximately 2.0 million liters during the Reporting Period, a significant increase of 43.1% from the previous year. This is a testimony of the Group's extensive expertise and capability in pharmaceutical manufacturing, which enables us to efficiently respond to market needs and deliver high-quality products to our customers.

The production output of eye drop products exhibited a sustained growth of 18.1%, reaching over 48.0 thousand liters during the Reporting Period. Additionally, the solid oral preparation production output demonstrated a positive increase of 12.0%, amounting to over 3.3 billion capsules and tablets.

To keep pace with escalating market demand, the Group has implemented a series of enhancement plans at various manufacturing facilities to expand our liquid, solid, and external production lines. These initiatives will encompass equipment modernisation, capacity amplification, and process optimisation. We firmly believe that these efforts will better equip us to cater to the growing demand and establish a foundation for continued growth in the years ahead.

BUSINESS DEVELOPMENT

Bolstered Portfolio of Complex Specialty Drugs

To bolster our portfolio and diversify our collection of complex specialty drugs to supplement our R&D pipeline, we remained focused on our in-licensing strategy for our business development endeavors.

Throughout the Reporting Period, we successfully secured exclusive in-licensing agreements for an impressive total of 53 top-performing specialised drugs. These innovative medications cover various therapeutic areas, including oncology, antifungal and antibacterial treatments, cardiovascular care, immunomodulatory therapies, and diabetes management solutions.

One notable in-licensed medication is a first-in-class diabetes treatment, which has shown significant market potential due to its proven efficacy in glycemic control and weight loss promotion with convenience in treatment.

In oncology, we have in-licensed a promising oral tyrosine kinase inhibitor with substantial potential in various cancers, including those with limited treatment options. Its improved safety, efficacy, and convenient oral formulation make it a potential market leader.

In the cardiovascular category, we have secured rights to an innovative oral anticoagulant that reduces stroke risk in patients with non-valvular atrial fibrillation. This product boasts a distinctive pharmacokinetic profile, which allows for simplified treatment regimens. As a result, it provides a more convenient and secure option than conventional anticoagulants.

For antifungal treatments, we have in-licensed a novel echinocandin agent with high efficacy in treating invasive fungal infections. Its unique mode of action is less likely to induce resistance, making it a vital addition to our portfolio and a potential game-changer in treating invasive fungal infections.

These examples highlight the diverse range of high-potential products within our in-licensed portfolio. Our commitment to securing innovative treatments reflects our dedication to providing top healthcare solutions and reinforcing our position as a leading healthcare provider.

Serving the Guangdong-Hong Kong-Macau Greater Bay Area ("GBA")

The Group has made encouraging headway in GBA market access through its strategic partnership with The University of Hong Kong-Shenzhen Hospital ("**HKU-Shenzhen Hospital**"). Our oral solution for acute promyelocytic leukemia, Arsenic Trioxide Oral Solution, was the first Hong Kong-developed specialty pharmaceutical approved under Guangdong Province's interim regulations allowing the import of urgently needed drugs and devices from Hong Kong and Macau.

Having secured regulatory approval, we have commenced the supply of this specialty medicine to patients receiving treatment at HKU-Shenzhen Hospital. With the recent expansion of the policy to include 14 additional hospitals in the pilot program, we are well-positioned to extend the coverage of this critical treatment option across the GBA healthcare network. A total of 19 medical institutions in Guangdong Province now have the potential to access this therapy through the pilot scheme.

To address unmet medical needs in neighboring regions, we have also established a stable supply of Arsenic Trioxide Oral Solution in Southeast Asia. Patients across a wide geography now have the potential to benefit from this Hong Kong-developed innovation. We will continue our partnership with HKU researchers to maximise the benefit of this treatment and deliver improved outcomes for patients locally and globally.

E-Ordering Platform for Boosting Sales and Customer Engagement

We have made significant progress in digitalising customer service through the development of our e-ordering platform, e-Jacob Pharma2U. After completing user tests, we have planned its official launch in the latter half of this year. This platform marks a significant milestone in improving our digital capabilities tailored specifically for private clinics, simplifying the procurement process for pharmaceutical products and medical supplies.

e-Jacob Pharma2U signifies our commitment to enhancing the customer experience through digital transformation. By providing scale, speed, convenience and connectivity, this platform will allow us to expand our service offerings to match diverse needs from the Private Sector.

For medical professionals and key customers, e-Jacob Pharma2U enables easy access to our full product range, real-time interaction with our sales team, and streamlined order placement. Analysing purchase patterns will facilitate targeted promotions and new product launch marketing. As a high-value service, the platform provides order history and inventory management tools to healthcare professionals, strengthening engagement and loyalty.

Our digital strategy prioritises customer centricity. Investing in our digital capabilities to improve customer service, foster engagement, and elevate the overall experience remains a key strategic priority.

OUTLOOK

As we transition out of the COVID-19 pandemic, a measured sense of optimism emerges as we witness a steady revival of economic and social activities, highlighting renewed opportunities and potential for the business landscape buttressed by solid fundamentals. However, we believe it is essential to remain cautious amid the headwinds posed by inflationary pressures and geopolitical uncertainties, ensuring the adaptability of our business in this evolving environment.

We have showcased remarkable resilience in our performance over the past three years, exhibiting steady growth momentum despite the challenges posed by the pandemic. This progress, driven by our robust business platform and strategic approach, has placed us in an advantageous position to deliver sustainable growth and value for our stakeholders.

The growth factors for the generic drugs market continue to prevail, as the unprecedented impact of COVID-19 has underscored the importance of enhancing health as a crucial basis for sustainable economic growth. The HKSAR Government has demonstrated its commitment to improving healthcare by allocating HK$104.4 billion to the healthcare budget for the 2023-2024 fiscal year, representing approximately 18.6% of the government's recurrent expenditure. The budget allocation highlights the increased emphasis on strengthening preventive, community-based primary healthcare, aiming to address the challenges posed by an aging population and the rising prevalence of chronic diseases, which are crucial factors driving the growth of the healthcare sector.

Furthermore, the adoption of a generic drug substitution policy by government institutions is set to positively impact the expansion of the local generic drugs market. This growth is further fueled by the expiration of patents for a multitude of blockbuster drugs in the upcoming periods.

Capitalising on the emerging prospects, we remain committed to advancing our growth strategies and solidifying our position as a leading provider of essential medicines and specialty drugs in Hong Kong and Asia. Our strategic priorities will stay focused on maximising the commercial opportunities within our product portfolio, fortifying our product pipelines through in-licensing and in-house R&D, establishing a robust commercial platform for marketing and regulatory affairs management to foster collaboration with regional and international partners, and expanding our footprint in strategic markets across Asia.

In relation to the Group's branded consumer healthcare business, the consumer self-care market is posed to sustain its growth momentum in the post-COVID-19 era, driven by factors such as heightened health consciousness, sedentary lifestyles, and an aging population. This growth encompasses not only the general demand for over-the-counter (OTC) drugs and wellness products but also underscores a significant increase in demand for traditional Chinese medicine. The Group's proprietary Chinese medicines and concentrated Chinese medicine granules, in particular, benefit from the trend bolstered by favorable government policies and growing consumer acceptance of their complementary healing benefits alongside Western medicines.

We are pleased with our progress in gaining access to the GBA market through our strategic partnership with HKU-Shenzhen Hospital, resulting in the approval and listing of our Arsenic Trioxide Oral Solution. The GBA market has demonstrated remarkable growth, boosting a year-on-year GDP increase of approximately 7.0% over the past decade. We are highly optimistic about the potential of the GBA as our extended home market. As Hong Kong integrates economically into this vibrant region, we are committed to playing our part and contributing to its success.

Moving forward, we enter 2023 with good momentum. Our focus will remain on building upon our areas of strength while maintaining a robust and resilient business strategy. We are confident in our ability to execute our strategic plans diligently, capitalising on the growth opportunities that lie ahead for our business. By doing so, we aim to deliver consistent performance, achieve sustainable growth, and enhance shareholder value while preserving a sound financial position.

CORPORATE DEVELOPMENT

SYNDICATED LOAN

The Company (as guarantor) has on 6 April 2022 entered into a facility agreement with an indirect wholly-owned subsidiary of the Company (as borrower) (the "**Borrower**"), certain indirect wholly-owned subsidiaries of the Company (as guarantors), The Hongkong and Shanghai Banking Corporation Limited (as mandated lead arranger, bookrunner and lender) and other 13 financial institutions (as lenders) (the "**Lenders**"), pursuant to which the Lenders have agreed to provide a syndicated loan to the Borrower. The facility amount is HK$1,400,000,000 and the final maturity date of such syndicated loan is 36 months after the date of the facility agreement. The facility amount was used for refinancing the bank loan facilities and to meet general working capital requirements of the Group (excluding the JBM Healthcare Group). Details of the syndicated loan were set out in the announcement of the Company dated 6 April 2022.

REMUNERATION POLICY

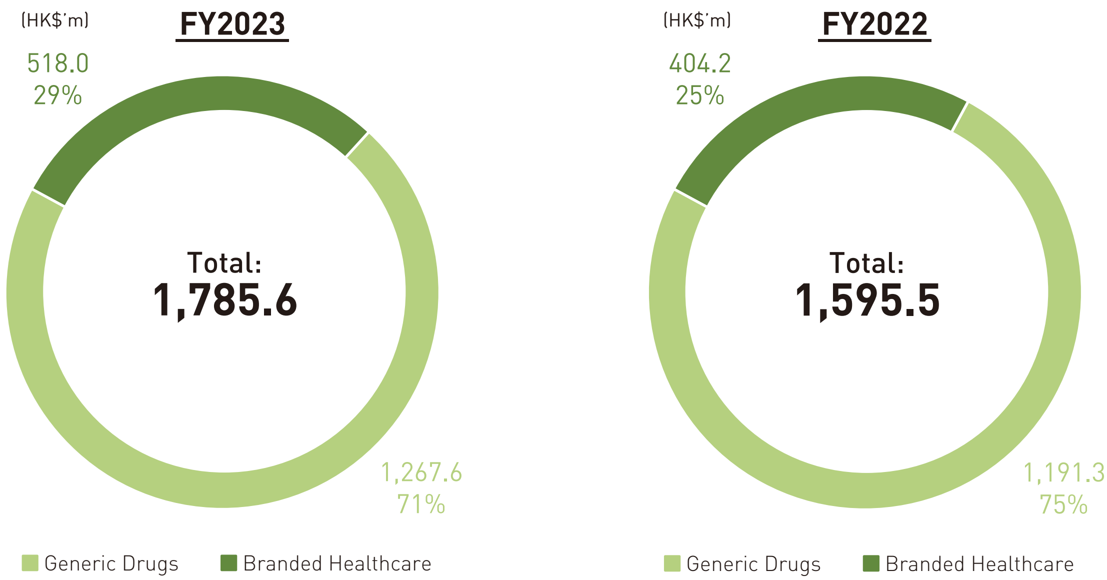
As of 31 March 2023, the Group has a total of 1,789 employees (compared to 1,736 employees as of 31 March 2022). For the Reporting Period, the total staff costs of the Group was HK$471.3 million, compared to HK$424.0 million for the year ended 31 March 2022 due to growth and expansion under the strategic business development of the Group. All of the Group's employees have entered into standard employment contracts with the Group. Remuneration packages for the Group's employees in general comprise one or more of the following elements: basic salary, sales-related incentives, productivity-related incentives and work performance bonuses. The Group sets out performance attributes for its employees based on their positions and job functions. It periodically reviews their work performance against the Group's strategic objectives and targets. The results of such reviews are taken into consideration when assessing salary adjustments, bonus awards, promotions, staff development plans and training needs. The Group provides various benefit schemes to its employees including annual leave entitlement, mandatory provident fund, group medical insurance and life insurance. A workers union has been established for the Group's employees in China according to local labour laws. As of 31 March 2023, the Group has not experienced any strikes or any labour disputes with its employees which would likely have had a material impact on its business.

The Group places a high value on recruiting, developing and retaining its employees. It maintains high recruitment standards and provides competitive compensation and benefit packages to attract and retain talents. The Group also emphasises on training and developing employees. In addition to different skill and knowledge based in-house training programs, the Group has training sponsorship policy to encourage its employees to attend external training to enhance their job competencies.

FINANCIAL REVIEW

REVENUE

Revenue by Operating Segments

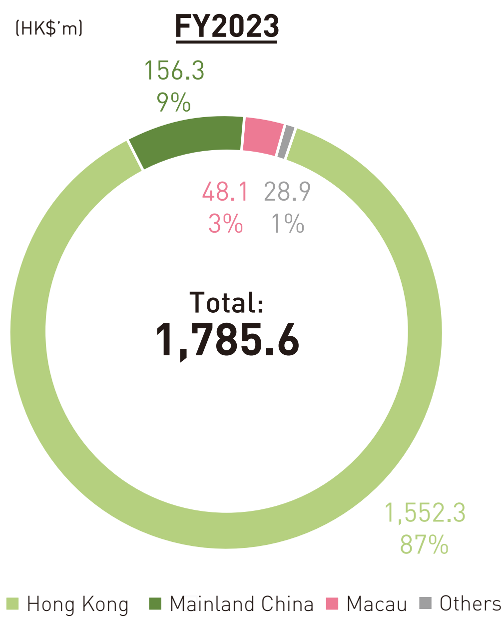


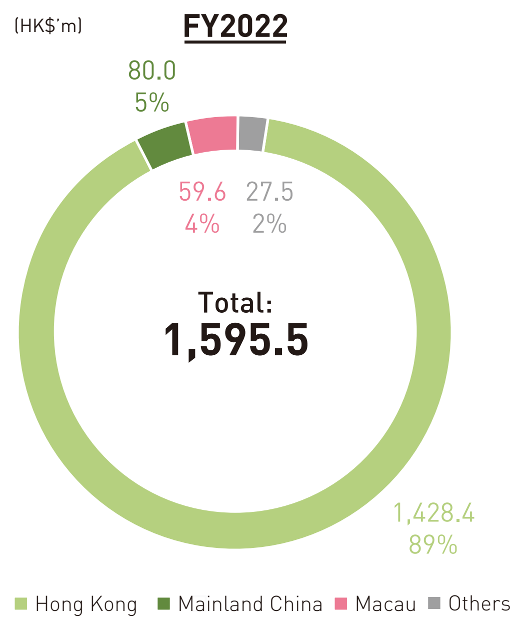
The revenue increase of HK$190.1 million, or 11.9%, compared to FY2022, was due to a rise in revenue of HK$76.3 million, or 6.4%, in the generic drugs segment and HK$113.8 million, or 28.2%, in the branded healthcare segment. The revenue distribution between the two segments was at a ratio of 71% to 29%.

In the generic drugs segment, both the Private and Public Sectors delivered positive growth during the Reporting Period. The HKSAR Government's progressive relaxation of social distancing and travel restrictions gradually led to the rebound of economic and social activities, facilitating the resumption of medical consultation visits in the Public and Private Sectors, thus boosting the demand for essential medicines as well as specialty drugs. The Private Sector, in particular, has rebounded significantly during the Reporting Period. The newly awarded public tenders, alongside the increasing demand for medications resulting from the ageing population and prevalence of chronic diseases, contributed to the stable sales in the Public Sector during the Reporting Period.

In the branded healthcare segment, the relaxation of COVID-19 restrictions in Mainland China, Hong Kong, and Macau has positively impacted retail spending sentiment. This has led to a strong sales recovery and a significant increase in revenue during the Reporting Period. A key contributor to the growth was the performance of Po Chai Pills, one of our prominent branded products. Furthermore, robust sales growth in the branded healthcare segment was fueled by strong sales of both our own brand and third-party brand products on our cross-border e-commerce platforms as well as the strong momentum of the concentrated Chinese medicine granules business driven by the growing consumer demand in traditional Chinese medicines.

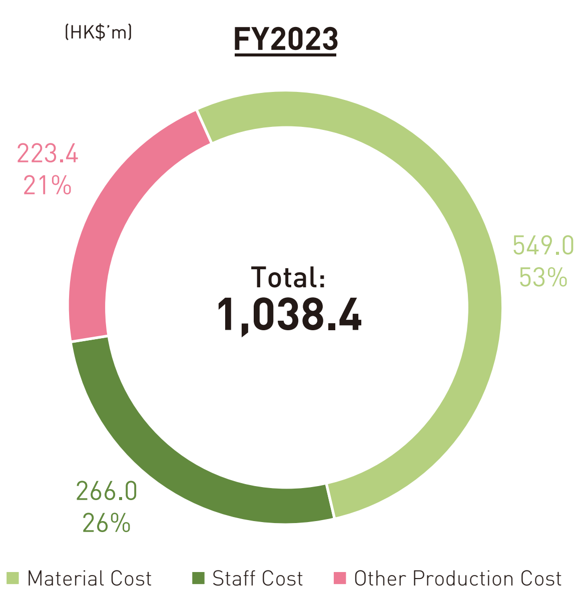
Revenue by Geographic Locations

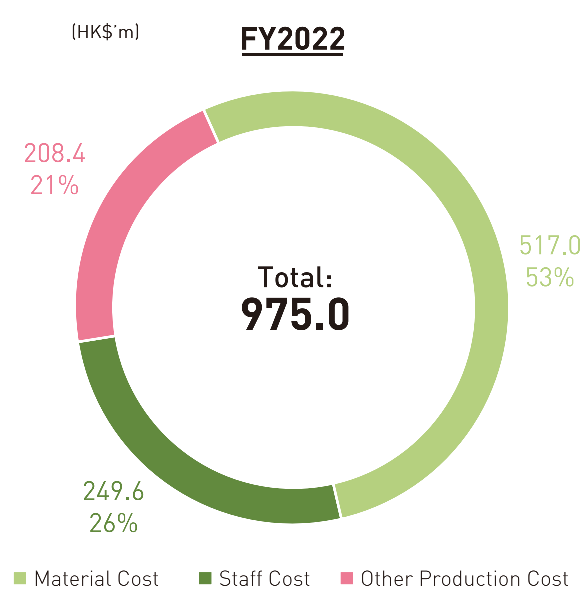




Hong Kong continued to be the major revenue stream, representing 87% of the total revenue with an increase of HK$123.9 million compared to last year, mainly due to the prominent rebound of the generic drugs demand in the Private Sector during the second half of the Reporting Period and the stable sales growth of generic drugs in the Public Sector during the Reporting Period. The revenue in Mainland China increased by HK$76.3 million or 95.4%, mainly contributed by the significant increase in sales of branded healthcare products via various cross-border e-commerce platforms during the Reporting Period. The decrease in revenue from Macau by HK$11.5 million was mainly caused by spikes in COVID-19 infection cases in Macau during the Reporting Period. The revenue from other overseas markets remained relatively stable as compared to last year.

COST OF SALES



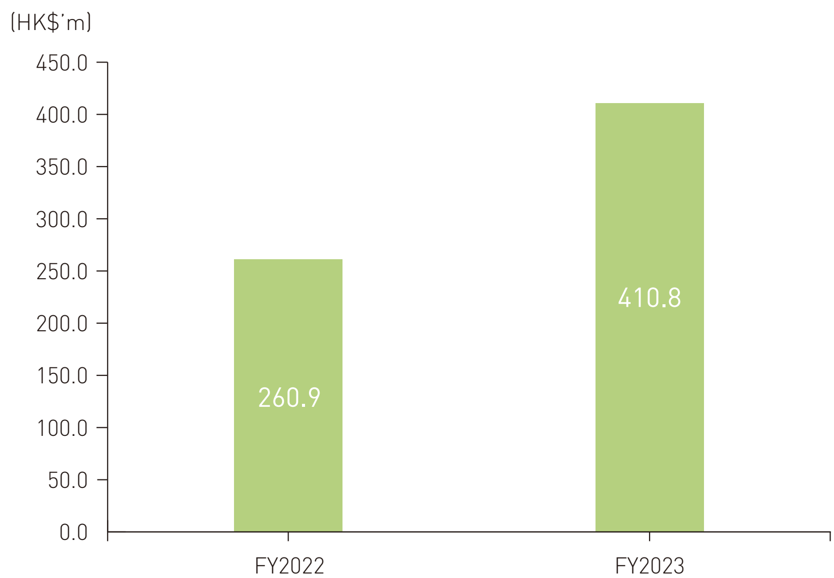


The increase in cost of sales of HK$63.4 million or 6.5% was generally in line with the overall sales growth of the Group during the Reporting Period. Material cost continued to be the major component contributing approximately 53% of the total cost of sales, while staff cost and other production cost contributed 26% and 21% respectively.

The increase in material cost of HK$32.0 million or 6.2% was attributable to the increase in production level and purchases of third party brand products as a result of the uplifted sales demand of the Group.

The increase in staff cost of HK$16.4 million or 6.6% reflected the increase in number of production headcount to support the increase in production level as a result of the sales growth as well as salary increment. The increase in other production costs of HK$15.0 million or 7.2% were generally in line with the overall sales trend of the Group.

PROFIT FROM OPERATIONS



The profit from operations increased significantly by HK$149.9 million or 57.5% to HK$410.8 million during the Reporting Period. The enhancement in profit from operations was principally contributed by the increase in gross profit of HK$126.7 million as a result of the uplifted sales demand owing to the gradual easing of pandemic-related measures in Mainland China, Hong Kong and Macau, alongside cost savings from operating leverage. The increase in other net income of HK$51.2 million also contributed to the increase in the profit from operations, which was mainly due to the increase in the net distribution and logistics service income of HK$6.7 million and the one-off Employment Support Scheme subsidy from the HKSAR Government of HK$34.2 million recognised during the Reporting Period.

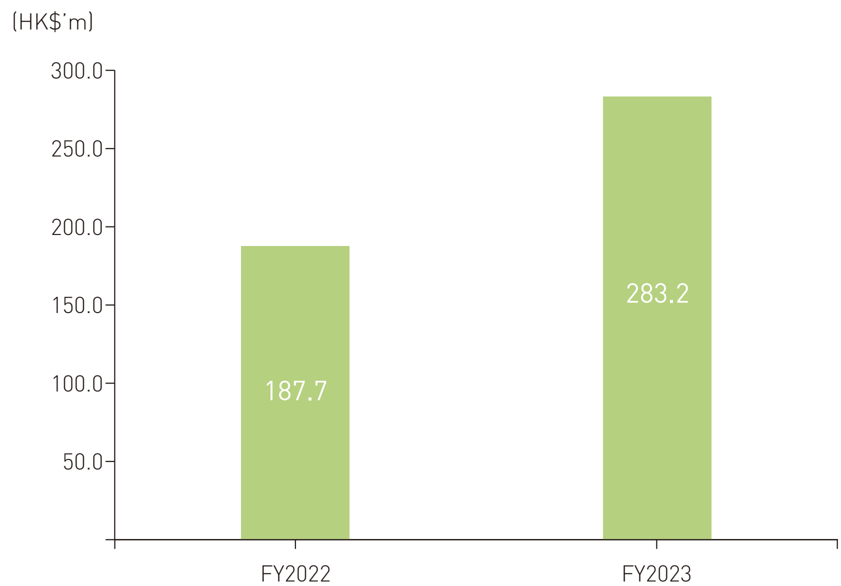
FINANCE COSTS

The increase in finance costs by HK$41.8 million or 162.6% was mainly attributable to the higher bank loan balance as a result of the syndicated loan obtained in April 2022, as well as the raising interest rates, during the Reporting Period.

INCOME TAX

The increase in income tax primarily reflected the higher profit from operations during the Reporting Period compared to FY2022. The slight decrease in the effective tax rate was mainly attributable to the non-taxable Employment Support Scheme subsidy from the HKSAR Government of HK$34.2 million recognised during the Reporting Period.

PROFIT FOR THE YEAR



The profit for the year increased significantly by HK$95.5 million or 50.9% to HK$283.2 million, which reflected the increase in profit from operations as a result of the progressive relaxation of social distancing and travel restrictions in Mainland China, Hong Kong and Macau during the second half of the Reporting Period, offset partially by the additional finance costs and income tax.

ASSETS

Investment Properties and Property, Plant and Equipment

The decrease in investment properties and property, plant and equipment principally reflected the depreciation of HK$142.4 million, which were offset partially by the additions of HK$95.1 million mainly arose from the acquisitions of property, plant and machinery used by our pharmaceutical manufacturing plants and the acquisitions of investment properties.

Intangible Assets

The increase in intangible assets was primarily attributable to the additions of goodwill, trademarks, technology knowhow, and capitalised development costs of HK$60.4 million, which were offset partially by the amortisation of HK$42.1 million during the Reporting Period.

Inventories

The increase in inventories by HK$53.4 million or 17.0% was mainly resulted from the increase in the production level due to the overall sales growth as a result of the gradual relaxation of pandemic-related restrictions in Mainland China, Hong Kong and Macau.

Cash and Cash Equivalents

As at 31 March 2023, approximately 98.9% of cash and cash equivalents were denominated in Hong Kong dollars (as at 31 March 2022: 93.5%), while the remaining balances were mainly denominated in United States dollars, Renminbi, Singapore dollars and Macau pataca.

LIABILITIES

Bank Loans

The increase in bank loans by HK$202.1 million or 15.1% as at 31 March 2023 was mainly attributable to the syndicated loan obtained in April 2022 for refinancing the existing bank loans which bear variable rates. As at 31 March 2023, all bank loans of the Group were denominated in Hong Kong dollars.

USE OF PROCEEDS

IPO PROCEEDS

Net proceeds of HK$695,540,000 were raised from the initial public offering of the Company (included proceeds from the over-allotment option exercised by the underwriter amounted to HK$98,438,000 and after the deduction of underwriting fees, commissions and expenses paid by the Company in connection with the initial public offering) (the "**IPO Proceeds**").

The table below sets forth the status of utilisation of the IPO Proceeds as at 31 March 2022 and 31 March 2023 respectively, and the expected timeline of the use of the unutilised IPO Proceeds:

Use of IPO Proceeds	Proposed application*	As at 31 March 2022		As at 31 March 2023		Expected timeline for utilising the remaining IPO Proceeds
		Actual utilised amount	Unutilised amount	Actual utilised amount	Unutilised amount	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	
Acquisitions – Expansion of businesses in generic drugs and proprietary medicines	139,108	139,108	–	139,108	–	N/A
Acquisitions – Enhancement of distribution network	104,331	104,331	–	104,331	–	N/A
Acquisitions – Intangible assets	69,554	69,554	–	69,554	–	N/A
Capital investments – Upgrading of manufacturing plants and facilities	113,197	113,197	–	113,197	–	N/A
Capital investments – Two specific automated production facilities	12,000	12,000	–	12,000	–	N/A
Expansion of bioequivalence clinical studies	98,449*	78,001	20,448	85,340	13,109	On or before 31 March 2025*
Establishment of a new joint R&D centre with HKIB	5,882*	5,882	–	5,882	–	N/A
Marketing and advertising	83,465	83,465	–	83,465	–	N/A
General working capital	69,554	69,554	–	69,554	–	N/A
Total	695,540	675,092	20,448	682,431	13,109	

* The Company has published an announcement on 9 March 2022 relating to the change of allocation of the unutilised IPO Proceeds and the expected timeline of full utilisation by (a) reallocating approximately HK$4.1 million which was originally allocated for establishment of a new joint R&D centre with HKIB to expansion of bioequivalence clinical studies; and (b) extending the expected timeline of the use of the unutilised IPO Proceeds from 31 March 2023 to 31 March 2025.

The Group intends to apply the remaining IPO Proceeds according to the revised plans disclosed in the announcement published on 9 March 2022 as shown above.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

The Group consistently adheres to conservative fund management. The solid capital structure and financial strength continue to provide a solid foundation for the Group's future development as well as mergers and acquisitions.

The Group's primary uses of cash are to fund working capital, capital expenditures and mergers and acquisitions. During the Reporting Period, the Group funded its cash requirements principally from cash generated from operations and bank borrowings.

CHARGE ON GROUP ASSETS

The carrying value of assets pledged against bank loans decreased from HK$495.7 million as at 31 March 2022 to HK$73.9 million as at 31 March 2023, which was mainly attributable to the release of pledged assets for bank loans refinanced by the syndicated loan of HK$1.4 billion during the Reporting Period.

NET GEARING RATIO

The net gearing ratio of the Group (bank loans less cash and cash equivalents, divided by total equity multiplied by 100%) decreased from 29.2% as at 31 March 2022 to 15.6% as at 31 March 2023, mainly attributable to cash generated from operations during the Reporting Period of HK$677.7 million.

FINANCIAL RISK ANALYSIS

Management considered that the Group did not have significant exposure to fluctuation in exchange rates and any related hedges.

CONTINGENT LIABILITIES

As at 31 March 2023, the Group did not have any significant contingent liabilities.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period. The Group had no individually significant investments held during the Reporting Period.

NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

No significant event has taken place subsequent to 31 March 2023 and up to the date of this announcement.

PRINCIPAL RISKS AND UNCERTAINTIES

The following is a summary of the principal risks and uncertainties identified by the Company which may have material and adverse impact on its business or operation, and how the Company endeavours to manage the risks involved. There may be other principal risks and uncertainties in addition to those shown below which are not known to the Company or which may not be material now but could turn out to be material in the future.

– The Group operates in pharmaceutical manufacturing industry and is subject to various regulations; failure to comply with pharmaceutical or other regulations may restrict our business operations. The Group has dedicated quality control and quality assurance team in each manufacturing plant to ensure compliance with relevant regulations.

– The Group made a number of successful acquisitions; however, the Group may not be able to successfully identify, consummate and integrate future mergers or acquisitions. The Group will continue to seek for new acquisition opportunities and perform adequate due diligence to assess the potential acquisition targets.

– The Group operates in generic drugs business and development of new products provides additional growth driver for the Group. However, we may not be able to develop and launch new product according to our schedule. The Group continues to invest in the R&D of new products and engage external experts to enhance our overall R&D capability.

– The Group is also exposed to risks of liability and loss due to defective products as well as damage to the Group's reputation. While the Group has taken out product liability insurance, the insured amount may not be sufficient to cover all damages claimed. The Group has a designated production and quality assurance team to monitor product quality in each manufacturing plant to ensure they are in compliance with respective specifications.

The Company believes that risk management is essential to the Group's efficient and effective operation. The Company's management assists the Board in evaluating material risk exposure in the Group's business, participating in formulating appropriate risk management and internal control measures, and ensuring its implementation in the daily operational management.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is principally engaged in the development, production, marketing and sale of generic drugs and branded healthcare products, a line of business that does not have any material impact on the environment. The key environmental impact from the Group's operation is related to electricity, water and paper consumption. The Group is fully aware of the importance of sustainable environmental development, and has implemented a number of measures to encourage environmental protection and energy conservation.

During the Reporting Period, there was no significant regulatory non-compliance with applicable environmental laws and regulations.

COMPLIANCE WITH LAWS AND REGULATIONS

During the Reporting Period, the Group was in compliance with the applicable laws and regulations which have significant impacts on the Group in all material respects.

CORPORATE GOVERNANCE HIGHLIGHTS

The Group is committed to maintaining high corporate governance standards to safeguard the interests of the shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as its own code of corporate governance.

During the Reporting Period, the Company has complied with all the code provisions of the CG Code and adopted most of the best practices set out therein, except for the following provision:

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Currently, Mr. Sum is the chairman of the Board and the chief executive officer of the Company and accordingly, there is no written terms setting out the division of responsibilities between the chairman and chief executive. The Board considers that Mr. Sum is the founder of the Group and had been managing the Group's business and overall strategic planning since its establishment, the vesting of the roles of chairman and chief executive officer in Mr. Sum is beneficial to the business prospects and management of the Group by ensuring consistent leadership within the Group and enabling more effective and efficient overall strategic planning for the Group. The Board also considers that the balance of power and authority of the Board for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively.

The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at an appropriate time, taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions of the Directors. Having made specific enquiry with the Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the Reporting Period.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**") which comprises three independent non-executive Directors, namely Mr. Young Chun Man, Kenneth (Chairman), Dr. Lam Kwing Tong, Alan and Professor Lam Sing Kwong, Simon. The primary duties of the Audit Committee include reviewing and supervising the Group's financial reporting process, internal control and risk management systems, preparing financial statements and internal control procedures. It also acts as an important link between the Board and the external auditor in matters within the scope of the group audit. The Audit Committee, together with the management of the Company, has reviewed the annual results of the Group for the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities throughout the Reporting Period.

FINAL DIVIDEND

The Board recommends to declare a final dividend of HK2.38 cents per share for FY2023 (FY2022: final dividend of HK2.68 cents per share), subject to the approval of shareholders of the Company at the 2023 AGM to be held on 1 August 2023 (Tuesday), which is expected to be paid on 1 September 2023 (Friday) to shareholders whose names appear on the register of members of the Company on 18 August 2023 (Friday), being the record date for determining shareholders' entitlement to the proposed final dividend. Including the interim dividend of HK2.80 cents per share paid on 29 December 2022, the total dividend for FY2023 amounts to HK5.18 cents per share (FY2022: HK3.88 cents per share). The details of the final dividend of the Company are set out in note 9 of this announcement.

SPECIAL DIVIDEND

In addition to the payment of the final dividend for the year ended 31 March 2023, the Board also recommends to distribute 492,259,244 JBM Shares indirectly held by the Company through JBM BVI as a special dividend in the form of Distribution in Specie on the basis of 509 JBM Shares for every 2,000 shares of the Company held by a qualifying shareholder, subject to the approval of shareholders of the Company at the 2023 AGM to be held on 1 August 2023 (Tuesday), to the qualifying shareholders whose names appear on the register of members of the Company on 18 August 2023 (Friday), being the record date for determining shareholders' entitlement to the proposed special dividend. Based on the published closing price of HK$1.09 per JBM Share on 15 June 2023, the special dividend represents a distribution of approximately HK27.74 cents per share. The details of the special dividend of the Company are set out in note 9 of this announcement.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of shareholders of the Company to attend and vote at the 2023 AGM, the register of members of the Company will be closed from 26 July 2023 (Wednesday) to 1 August 2023 (Tuesday), both days inclusive, during which period no transfer of shares of the Company will be registered. All transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on 25 July 2023 (Tuesday) for registration.

In order to determine the entitlement of shareholders of the Company to receive the final dividend, the register of members of the Company will be closed from 17 August 2023 (Thursday) to 18 August 2023 (Friday), both days inclusive, during which period no transfer of shares of the Company will be registered. All transfer documents, accompanied by the relevant share certificate, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on 16 August 2023 (Wednesday) for registration.

In order to determine the entitlement of shareholders of the Company to receive the special dividend, the register of members of the Company will be closed from 17 August 2023 (Thursday) to 18 August 2023 (Friday), both days inclusive, during which period no transfer of shares of the Company will be registered. All transfer documents, accompanied by the relevant share certificate, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on 16 August 2023 (Wednesday) for registration. Subject to the approval of shareholders of the Company at the 2023 AGM to be held on 1 August 2023 (Tuesday), the share certificates for the Distribution JBM Shares are expected to be issued and despatched by ordinary posts to those qualifying shareholders entitled to them on 8 September 2023 (Friday).

PUBLICATION OF THIS 2023 ANNUAL RESULTS ANNOUNCEMENT AND THE 2023 ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.jacobsonpharma.com). The 2023 Annual Report containing all the information required by the Listing Rules will be published on the respective websites of the Stock Exchange and the Company and will be dispatched to the shareholders of the Company in due course.

By order of the Board
Jacobson Pharma Corporation Limited
YIM Chun Leung
Executive Director

Hong Kong, 15 June 2023

As at the date of this announcement, the Board comprises Mr. Sum Kwong Yip, Derek (also as Chairman and Chief Executive Officer), Mr. Yim Chun Leung and Ms. Pun Yue Wai as executive Directors, Professor Wong Chi Kei, Ian as non-executive Director, and Dr. Lam Kwing Tong, Alan, Mr. Young Chun Man, Kenneth and Professor Lam Sing Kwong, Simon as independent non-executive Directors.

GLOSSARY

In this announcement, unless otherwise specified, the following glossary applies:

"2023 AGM"	the forthcoming 2023 annual general meeting of the Company
"2023 Annual Report"	the annual report of the Company for the year ended 31 March 2023
"adjusted EBITDA"	adjusted earnings before interest, taxes, depreciation and amortisation
"Board"	the board of Directors
"CG Code"	Corporate Governance Code as amended or supplemented from time to time contained in Appendix 14 to the Listing Rules
"chief executive" or "controlling shareholder"	each has the meaning as described in the Listing Rules
"China", "Mainland China", "PRC" or "the PRC"	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan
"Company", "our Company" or "the Company"	Jacobson Pharma Corporation Limited, an exempted company incorporated in the Cayman Islands with limited liability on 16 February 2016
"COVID-19"	Coronavirus disease 2019
"Director(s)"	the director(s) of the Company
"Distribution in Specie"	the proposed distribution of a special dividend by the Company in the form of a distribution in specie of JBM Shares
"Distribution JBM Share(s)"	the JBM Share(s) being subject to Distribution in Specie
"ESG"	environmental, social and governance
"FY2022"	the year ended 31 March 2022
"FY2023" or "Reporting Period"	the year ended 31 March 2023
"FY2024"	the year ending 31 March 2024
"GDP"	Gross Domestic Product

"GMP"	Good Manufacturing Practice, a set of detailed guidelines on practices governing the production of pharmaceutical products designed to protect consumers by minimising production errors and the possibility of contamination
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKIB"	The Hong Kong Institute of Biotechnology
"HKSAR" or "Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Jacobson", "Group", "our Group", "the Group", "we", "us", or "our"	the Company and its subsidiaries and, in respect of the period before we became the holding company of our present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"JBM BVI"	JBM Group (BVI) Limited, a limited company incorporated in the British Virgin Islands and the registered and beneficial owner of the Distribution JBM Shares. It is a wholly owned subsidiary of the Company
"JBM Healthcare"	JBM (Healthcare) Limited, an exempted company incorporated in the Cayman Islands with limited liability on 7 January 2020, the issued shares of which were listed on the Main Board on 5 February 2021, an indirect non-wholly owned subsidiary of the Company (stock code: 2161)
"JBM Share(s)"	ordinary share(s) in the share capital of JBM Healthcare with nominal value of HK$0.01 each
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	Main Board of the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Mr. Sum"	Mr. Sum Kwong Yip, Derek, our chairman, executive Director, chief executive officer and our controlling shareholder
"Private Sector"	refers to non-Public Sector
"Public Sector"	refers to public sector institutions and clinics in Hong Kong

"R&D"	research and development
"Share Award Scheme"	the share award scheme adopted by our Company on 16 October 2018, the principal terms of which were summarised in the announcement of the Company dated 16 October 2018
"Stock Exchange"	The Stock Exchange of Hong Kong Limited