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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

FINANCIAL HIGHLIGHTS

- The revenue from continuing operations for the six months ended 30 September 2023 amounted to approximately HK$714.9 million, representing an increase of about 22.9% as compared to that of approximately HK$581.9 million for the corresponding period of 2022.

- Profit from operations for the same period amounted to approximately HK$166.0 million, representing an increase of about 17.6% as compared to the adjusted profit from operations (excluding the one-off Employment Support Scheme subsidy from the Hong Kong Government) for the corresponding period of 2022 of approximately HK$141.2 million.

- Profit for the same period amounted to approximately HK$177.9 million, representing an increase of about 42.0% as compared to the adjusted profit (excluding the one-off Employment Support Scheme subsidy from the Hong Kong Government) for the corresponding period of 2022 of approximately HK$125.3 million.

- The Board declared the payment of an interim dividend for the six months ended 30 September 2023 of HK2.5 cents per ordinary share for the total amount of approximately HK$48.4 million (six months ended 30 September 2022: HK2.8 cents per ordinary share).

The Board is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 September 2023, together with the comparative figures for the corresponding period of 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023 – unaudited

		Six months ended 30 September	
		2023	2022 (Restated)
	Note	***HK$'000***	*HK$'000*
Continuing operations			
Revenue	*4*	**714,918**	581,891
Cost of sales		**(413,839)**	(328,083)
Gross profit		**301,079**	253,808
Other net income	*5*	**27,489**	41,806
Selling and distribution expenses		**(64,775)**	(54,392)
Administrative and other operating expenses		**(97,820)**	(77,926)
Profit from operations		**165,973**	163,296
Finance costs	*6(A)*	**(47,445)**	(19,587)
Share of profits/(losses) of associates		**332**	(983)
Profit before taxation	*6*	**118,860**	142,726
Income tax	*7*	**(21,579)**	(23,844)
Profit for the period from continuing operations		**97,281**	118,882
Discontinued operations			
Profit for the period from discontinued operations	*13(A)*	**52,392**	28,486
Net gain on distribution in specie	*13(C)*	**28,217**	–
Profit for the period		**177,890**	147,368
Other comprehensive income for the period			
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		**(3,548)**	(29,222)
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		**(2,177)**	(3,998)
Release of exchange reserve upon disposal of a subsidiary		**102**	–
Release of exchange reserve upon distribution in specie	*13(C)*	**418**	–
Other comprehensive income for the period		**(5,205)**	(33,220)

	Note	Six months ended 30 September 2023 HK$'000	2022 (Restated) HK$'000
Total comprehensive income for the period		**172,685**	114,148
Profit attributable to:			
Equity shareholders of the Company		**154,040**	136,192
Non-controlling interests		**23,850**	11,176
Total profit for the period		**177,890**	147,368
Profit attributable to equity shareholders of the Company arises from:			
– Continuing operations		**97,308**	107,706
– Discontinued operations		**56,732**	28,486
		154,040	136,192
Total comprehensive income attributable to:			
Equity shareholders of the Company		**149,932**	102,972
Non-controlling interests		**22,753**	11,176
Total comprehensive income for the period		**172,685**	114,148
Total comprehensive income attributable to equity shareholders of the Company arises from:			
– Continuing operations		**94,673**	80,956
– Discontinued operations		**55,259**	22,016
		149,932	102,972
		HK cents	*HK cents*
Earnings per share			
Basic and diluted	*8*		
Continuing operations		**5.09**	5.62
Discontinued operations		**2.97**	1.48
		8.06	7.10

Note: The results of branded healthcare segment are classified as discontinued operations of the Group during the six months ended 30 September 2023. In this regard, the Group has restated the comparative information for the six months ended 30 September 2022.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2023 – unaudited

	Note	**As at 30 September 2023** *HK$'000*	As at 31 March 2023 *HK$'000*
Non-current assets			
Investment properties		**321,336**	181,172
Property, plant and equipment		**1,204,586**	1,502,148
Intangible assets		**445,941**	1,320,075
Interests in associates		**23,704**	51,821
Interests in joint ventures		**–**	3,616
Other non-current assets		**50,830**	39,693
Other financial assets		**507,069**	514,330
Deferred tax assets		**15,229**	10,231
		2,568,695	3,623,086
Current assets			
Inventories		**302,824**	368,003
Trade and other receivables	*10*	**244,198**	351,360
Current tax recoverable		**779**	1,632
Cash and cash equivalents		**871,048**	1,036,418
		1,418,849	1,757,413
Current liabilities			
Trade and other payables and contract liabilities	*11*	**207,296**	283,653
Bank loans		**830,004**	309,554
Lease liabilities		**29,030**	34,823
Current tax payable		**39,308**	28,405
		1,105,638	656,435
Net current assets		**313,211**	1,100,978
Total assets less current liabilities		**2,881,906**	4,724,064

	Note	As at 30 September 2023 HK$'000	As at 31 March 2023 HK$'000
Non-current liabilities			
Bank loans		**450,916**	1,234,153
Lease liabilities		**12,961**	20,534
Deferred tax liabilities		**112,626**	212,855
		576,503	1,467,542
NET ASSETS		**2,305,403**	3,256,522
CAPITAL AND RESERVES			
Share capital	*12*	**19,126**	19,078
Reserves		**2,262,016**	2,717,611
Total equity attributable to equity shareholders of the Company		**2,281,142**	2,736,689
Non-controlling interests		**24,261**	519,833
TOTAL EQUITY		**2,305,403**	3,256,522

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. The Company's shares were listed on the Main Board on 21 September 2016.

2 BASIS OF PREPARATION

The interim financial results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 September 2023 but are extracted from that interim financial report.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of Listing Rules, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the consolidated financial statements for the year ended 31 March 2023, except for the accounting policy changes that are expected to be reflected in the consolidated financial statements for the year ending 31 March 2024. Details of any changes in accounting policies are set out in note 3.

3 CHANGES IN ACCOUNTING POLICIES

(a) New and amended Hong Kong Financial Reporting Standards ("HKFRSs")

The Group has applied the following new and amended HKFRSs issued by the HKICPA for the current accounting period:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

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 new and amended HKFRSs are discussed below:

HKFRS 17, *Insurance contracts*

HKFRS 17, which replaces HKFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on the financial statements as the Group does not have contracts within the scope of HKFRS 17.

Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on the financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in the annual financial statements, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development, including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax. The amendments are immediately effective upon issuance and require retrospective application. The amendments do not have a material impact on the financial statements as the Group's effective tax rate is above minimum rate required by Pillar Two rules.

(b) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of HKSAR (the "**Government**") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**"), which will eventually abolish the statutory right of an employer to reduce its long service payment ("**LSP**") and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the mandatory provident fund ("**MPF**") scheme (also known as the "**offsetting mechanism**"). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1 May 2025 (the "**Transition Date**"). Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP. However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 and recognise such deemed contributions as reduction of current service cost in the period the related service is rendered, and any impact from ceasing to apply the practical expedient is recognised as a catch-up adjustment in profit or loss with a corresponding adjustment to the LSP liability during the year ended 31 March 2023.

In the interim financial report and in prior periods, consistent with the HKICPA guidance the Group has been accounting for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed employee contributions towards the LSP. However, the Group has been applying the above-mentioned practical expedient.

The Group has assessed the implications of this new guidance on the above accounting policies and has decided to change those accounting policies to conform with the guidance. The management has commenced the processes on implementing the change including additional data collection and impact assessment. However, the impact of the change is not reasonably estimable at the time the interim financial report is authorised for issue, as the Group has yet to fully complete its assessment of the impact of the HKICPA guidance. The Group expects to adopt this guidance with retrospective application in its annual financial statements for the year ending 31 March 2024.

4 REVENUE AND SEGMENT REPORTING

(A) Revenue

The principal activities of the Group are development, production, marketing and sale of generic drugs. All the revenue for the six months ended 30 September 2023 and 2022 was recognised in accordance with HKFRS 15, *Revenue from contracts with customers*.

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. To arrive at adjusted EBITDA, the Group's earnings are further adjusted for share of profits/(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 interim results announcement.

As discussed in note 13, the Group no longer engages in branded healthcare operation. The results of this segment have been classified as discontinued operations of the Group during the six months ended 30 September 2023. In this regard, the Group has restated the comparative information for the six months ended 30 September 2022.

(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 period is set out below:

	Continuing operations Generic drugs Six months ended 30 September		**Discontinued operations Branded healthcare Six months ended 30 September**		**Total Six months ended 30 September**	
	2023	2022 (Restated)	**2023**	2022 (Restated)	**2023**	2022 (Restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers recognised at a point in time	**714,918**	581,891	**242,521**	235,462	**957,439**	817,353
Inter-segment revenue	**16**	40	**1,381**	1,386	**1,397**	1,426
Reportable segment revenue	**714,934**	581,931	**243,902**	236,848	**958,836**	818,779
Reportable segment profit (adjusted EBITDA)	**218,128**	233,780	**82,734**	56,823	**300,862**	290,603

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

	Continuing operations Six months ended 30 September		Discontinued operations Six months ended 30 September	
	2023	2022 (Restated)	**2023**	2022 (Restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Revenue				
Reportable segment revenue	**714,934**	581,931	**243,902**	236,848
Elimination of inter-segment revenue	**(16)**	(40)	**(1,381)**	(1,386)
Consolidated revenue	**714,918**	581,891	**242,521**	235,462
Profit				
Reportable segment profit	**218,128**	233,780	**82,734**	56,823
Elimination of inter-segment profit	**(8)**	(5)	**(211)**	(141)
Reportable segment profit derived from Group's external customers	**218,120**	233,775	**82,523**	56,682
Interest income from bank deposits and investments	**15,935**	3,287	**483**	7
Dividend income from an investment	**1,698**	–	**–**	–
Gain on disposal of equity interests of an associate	**1,623**	–	**–**	–
Depreciation and amortisation	**(71,403)**	(73,766)	**(14,699)**	(18,945)
Finance costs	**(47,445)**	(19,587)	**(3,260)**	(2,667)
Share of profits/(losses) of associates	**332**	(983)	**(600)**	(516)
Share of losses of joint ventures	**–**	–	**(2)**	(519)
Consolidated profit before taxation	**118,860**	142,726	**64,445**	34,042

(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.

	Continuing operations Six months ended 30 September		Discontinued operations Six months ended 30 September	
	2023	2022 (Restated)	**2023**	2022 (Restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers				
Hong Kong (place of domicile)	**687,837**	563,268	**179,022**	148,051
Mainland China	**15,887**	8,567	**39,226**	57,684
Macau	**11,126**	8,119	**11,894**	13,497
Singapore	**68**	139	**4,648**	5,368
Others	**–**	1,798	**7,731**	10,862
	714,918	581,891	**242,521**	235,462

The following table sets out information about the geographical location of the Group's property, plant and equipment, investment properties, 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 30 September 2023 *HK$'000*	As at 31 March 2023 *HK$'000*
Specified non-current assets		
Hong Kong (place of domicile)	**1,929,585**	2,964,728
Mainland China	**26,137**	42,278
Macau	**139**	149
Taiwan	**4,365**	5,111
Cambodia	**86,171**	86,259
	2,046,397	3,098,525

(iv) ***Information about major customers***

For the six months ended 30 September 2023, the Group's customer base includes one (six months ended 30 September 2022: one) customer of generic drugs with whom transactions have exceeded 10% of the Group's revenue. Revenue from sales of generic drugs products to this customer, including sales to entities which are known to the Group to be under common control amounted to approximately HK$335,003,000 (six months ended 30 September 2022 (restated): HK$293,677,000).

5 OTHER NET INCOME

	Continuing operations		**Discontinued operations**	
	Six months ended 30 September		**Six months ended 30 September**	
	2023	2022 (Restated)	**2023**	2022 (Restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interest income from bank deposits and investments	**15,935**	3,287	**483**	7
Subcontracting income	**4,782**	2,992	**–**	–
Dividend income from an investment	**1,698**	–	**–**	–
Gain on disposal of equity interests of an associate	**1,623**	–	**–**	–
Rental income	**1,336**	382	**–**	–
Net distribution and logistic service income	**709**	13,774	**–**	–
Net gain/(loss) on disposals of property, plant and equipment and intangible assets	**31**	(743)	**(5)**	(61)
Net foreign exchange (loss)/gain	**(25)**	(297)	**2,440**	1,320
Government grants *(Note)*	**–**	22,050	**–**	4,589
Commission income	**–**	–	**1,041**	1,072
Others	**1,400**	361	**1,754**	222
	27,489	41,806	**5,713**	7,149

Note: During the six months ended 30 September 2022, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government. The purpose of the funding was 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 was 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):

	Continuing operations Six months ended 30 September		Discontinued operations Six months ended 30 September	
	2023	2022 (Restated)	**2023**	2022 (Restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
(A) Finance costs				
Interest on bank loans	**46,748**	18,879	**3,186**	2,575
Interest on lease liabilities	**697**	708	**74**	92
	47,445	19,587	**3,260**	2,667

	Continuing operations Six months ended 30 September		Discontinued operations Six months ended 30 September	
	2023	2022 (Restated)	**2023**	2022 (Restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
(B) Other items				
Amortisation of intangible assets	**10,373**	11,480	**7,346**	10,298
Depreciation				
– owned property, plant and equipment	**43,145**	43,455	**5,564**	6,400
– right-of-use assets	**17,885**	18,831	**1,789**	2,247
(Reversal)/write–down of inventories	**(168)**	(7,840)	**13**	1,020

7 INCOME TAX

	Continuing operations Six months ended 30 September		Discontinued operations Six months ended 30 September	
	2023	2022 (Restated)	**2023**	2022 (Restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current tax	**28,389**	21,067	**14,014**	7,927
Deferred taxation	**(6,810)**	2,777	**(1,961)**	(2,371)
	21,579	23,844	**12,053**	5,556

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (six months ended 30 September 2022: 16.5%) to the six months ended 30 September 2023. Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable 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 for the six months ended 30 September 2023 and the weighted average ordinary shares in issue during the period, calculated as follows:

(i) Weighted average number of ordinary shares:

	Six months ended 30 September	
	2023	2022
	'000	*'000*
Ordinary shares of the Company issued at the beginning of the period	**1,907,821**	1,915,677
Effect of ordinary shares vested under the Share Award Scheme	**3,219**	2,948
Weighted average number of ordinary shares in issue during the period	**1,911,040**	1,918,625

(ii) Profit attributable to equity shareholders

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
Profit attributable to equity shareholders		
– Continuing operations	**97,308**	107,706
– Discontinued operations	**56,732**	28,486
	154,040	136,192

(B) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company for the six months ended 30 September 2023 and the weighted average ordinary shares, calculated as follows:

(i) Weighted average number of ordinary shares

	Six months ended 30 September	
	2023	2022
	'000	*'000*
Weighted average number of ordinary shares at 30 September	**1,911,040**	1,918,625
Effect of share award granted under the Share Award Scheme	**1,000**	–
	1,912,040	1,918,625

(ii) Profit attributable to equity shareholders

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
Profit attributable to equity shareholders		
– Continuing operations	**97,308**	107,706
– Discontinued operations	**56,732**	28,486
	154,040	136,192

9 DIVIDENDS

(A) Dividends payable to equity shareholders attributable to the relevant reporting period

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
Interim dividend declared after the relevant reporting period of HK2.5 cents per share (six months ended 30 September 2022: HK2.8 cents per share)	**48,356**	54,158

The interim dividend has not been recognised as a liability at the end of the relevant reporting period.

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

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the following reporting period, of HK2.38 cents per share (six month ended 30 September 2022: Final dividend in respect of the previous financial year, approved and payable during the following reporting period, of HK2.68 cents per share)	**46,034**	51,837
Less: Dividend of shares held by Share Award Scheme	**(515)**	(839)
	45,519	50,998
Distribution in specie	**571,019**	–
Less: Dividend of shares held by Share Award Scheme	**(6,391)**	–
	564,628	–
	610,147	50,998

10 TRADE AND OTHER RECEIVABLES

	As at 30 September 2023	As at 31 March 2023
	HK$'000	*HK$'000*
Trade receivables	**189,159**	288,231
Other receivables	**14,792**	9,321
Deposits and prepayments	**40,129**	52,104
Amounts due from associates	**118**	1,704
	244,198	351,360

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 30 September 2023	As at 31 March 2023
	HK$'000	*HK$'000*
Less than 1 month	**132,488**	180,287
1 to 6 months	**56,573**	102,991
Over 6 months	**98**	4,953
	189,159	288,231

11 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	As at 30 September 2023 HK$'000	As at 31 March 2023 HK$'000
Trade payables	**41,154**	80,245
Salary and bonus payables	**63,247**	58,318
Payables and accruals for addition of property, plant and equipment	**4**	390
Other payables and accruals	**47,955**	87,815
Contract liabilities	**54,936**	54,885
Amount due to a joint venture	**–**	2,000
	207,296	283,653

Ageing Analysis

As at the end of the 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 30 September 2023 HK$'000	As at 31 March 2023 HK$'000
Less than 1 month	**18,931**	44,398
1 to 6 months	**22,201**	35,708
Over 6 months	**22**	139
	41,154	80,245

12 SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each at 31 March 2023, 1 April 2023 and 30 September 2023	**5,000,000**	**50,000**
Issued:		
At 31 March 2023 and 1 April 2023	**1,907,821**	**19,078**
Ordinary shares vested under the Share Award Scheme *(Note)*	**4,750**	**48**
At 30 September 2023	**1,912,571**	**19,126**

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 of the Company 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 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 awarded shares 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 of the Company).

During the six months ended 30 September 2023, the trustee of the Share Award Scheme did not acquire any shares through purchases on the open market. During the six months ended 30 September 2022, the trustee of the Share Award Scheme acquired 22,756,000 shares through purchases on the open market. The total amount paid to acquire the shares during the period was approximately HK$19,486,000.

During the six months ended 30 September 2023, the Company has granted a total of 4,750,000 shares to eligible grantees, including certain directors of the Company and employees of the Group. During the six months ended 30 September 2022, the Company has granted and vested a total of 10,000,000 shares to eligible grantees, including certain directors of the Company and employees of the Group.

Details of the shares awarded under the Share Award Scheme during the six months ended 30 September 2023 are as follows:

	Number of Shares					
Date of grant	**As at 1 April 2023**	**Granted during the period**	**Vested during the period**	**Lapsed during the period**	**As at 30 September 2023**	**Vesting period**
1 December 2022	1,000,000	–	–	–	1,000,000	1 December 2023
13 April 2023	–	4,750,000	(4,750,000)	–	–	30 May 2023
	1,000,000	4,750,000	(4,750,000)	–	1,000,000	

13 DISCONTINUED OPERATIONS

On 1 August 2023, the Board declared a special dividend that was satisfied by way of distribution in specie of JBM Healthcare Shares held by the Group to the equity shareholders of the Company. Details of the distribution in specie are disclosed in note 9(B).

Upon completion of the distribution in specie, the Group no longer engages in branded healthcare operation. Accordingly, these operations were classified as discontinued operations. The distribution in specie was completed on 24 August 2023.

The summarised financial information of JBM Healthcare presented below represents the amounts after the intra-group elimination.

(A) Results of discontinued operations

		Discontinued operations	
	Note	**For the period from 1 April 2023 to 24 August 2023** *HK$'000*	Six months ended 30 September 2022 *HK$'000*
Revenue	*4*	**242,521**	235,462
Cost of sales		**(116,603)**	(148,841)
Gross profit		**125,918**	86,621
Other net income	*5*	**5,713**	7,149
Selling and distribution expenses		**(48,009)**	(37,690)
Administrative and other operating expenses		**(15,315)**	(18,336)
Profit from operations		**68,307**	37,744
Finance costs	*6(A)*	**(3,260)**	(2,667)
Share of losses of associates		**(600)**	(516)
Share of losses of joint ventures		**(2)**	(519)
Profit before taxation	*6*	**64,445**	34,042
Income tax	*7*	**(12,053)**	(5,556)
Profit for the period from discontinued operations		**52,392**	28,486
Attributable to:			
Equity shareholders of the Company		**28,515**	14,869
Non-controlling interests		**23,877**	13,617
Profit for the period from discontinued operations		**52,392**	28,486

(B) Cash flows from discontinued operations

	Discontinued operations	
	For the period from 1 April 2023 to 24 August 2023 *HK$'000*	Six months ended 30 September 2022 *HK$'000*
Cash flows generated from operating activities	**59,358**	61,759
Cash flows used in investing activities	**(2,859)**	(3,945)
Cash flows used in financing activities	**(56,418)**	(32,182)
Net increase in cash and cash equivalents from discontinued operations	**81**	25,632

(C) Net gain on distribution in specie

Details of net assets of discontinued operations at date of distribution in specie are set out below:

	As at 24 August 2023 *HK$'000*
Net assets distributed	
Property, plant and equipment	**133,412**
Intangible assets	**860,642**
Interests in associates	**13,512**
Interests in joint ventures	**3,614**
Other non-current assets	**13,554**
Other financial assets	**13,719**
Deferred tax assets	**3,546**
Inventories	**59,448**
Trade and other receivables	**191,742**
Current tax recoverable	**569**
Cash and cash equivalents	**152,154**
Total assets	**1,445,912**
Trade and other payables and contract liabilities	**131,065**
Bank loans	**130,000**
Lease liabilities	**4,285**
Current tax payable	**20,277**
Deferred tax liabilities	**100,258**
Total liabilities	**385,885**
Book value of net assets	**1,060,027**
Non-controlling interest	**(513,971)**
Fair value of JBM Healthcare Shares retained	**(10,063)**
Book value of net assets distributed	**535,993**

The fair value of JBM Healthcare is with reference to the closing price and the number of issued shares of JBM Healthcare on 24 August 2023.

The distribution resulted in a non-cash gain of approximately HK$28,217,000, representing (i) the difference between the fair value of JBM Healthcare Shares distributed and the net assets distributed of JBM Healthcare and (ii) release of exchange reserve in relation to JBM Healthcare upon distribution in specie.

Analysis of net gain on distribution in specie:

	As at 24 August 2023 *HK$'000*
Fair value of JBM Healthcare Shares distributed	**564,628**
Less: Net assets distributed of JBM Healthcare	**(535,993)**
	28,635
Release of exchange reserve upon distribution in specie	**(418)**
Net gain on distribution in specie	**28,217**
Attributable to:	
Equity shareholder of the Company	**28,217**
Non-controlling interests	**–**
Net gain on distribution in specie	**28,217**

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As Hong Kong progressively returned to normalcy with the removal of COVID-19 restrictions in early 2023, which spurred an increase in inbound tourism and consumer spending, the local economy has continued its recovery since the first quarter of 2023. This recovery has been marked by an upswing in economic activities. Consequently, we have observed significant positive momentum in our performance during the first half of FY2024. This notable growth trend has also been driven by the easing of social distancing rules and the phased-out mask-wearing measures. These changes have resulted in a sustained increase in influenza infection cases, especially among school children, which has, in turn, boosted the demand for cold and flu treatments this year.

Our first-half performance reflected the effective execution of our growth strategies. We have maintained a steadfast focus on strengthening our position as a prominent player in Hong Kong's generic drugs market. This achievement has been the result of our increased efforts to improve our R&D pipeline and production capabilities, expand our product portfolio, enhance commercial execution, and reinforce our sales platforms.

As we steadfastly progress in our pursuit of aligning business strategy with sustainable development, we have made notable strides in our Environmental, Social, and Governance (ESG) initiatives. Our primary focus remains on expeditiously implementing our sustainability strategy, "5 to Thrive", which encompasses five core pillars: "Corporate Governance Duty", "Product Responsibility", "Societal Engagement", "Environmental Stewardship" and "Commitment to Employees". Our environmental commitments are a crucial component of this framework, and we are on course to meet our targets outlined in our roadmap for managing greenhouse gas (GHG) emissions, waste, electricity, fuel, and water.

RESULTS

During the six months ended 30 September 2023, the Group achieved a 22.9% growth in its total revenue compared to FY2023 Interim, totaling HK$714.9 million. Profit attributable to equity shareholders reached HK$154.0 million, marking an increase of HK$17.8 million or 13.1%.

Benefiting from strong business performance and disciplined cost management, the Group sustained an adjusted EBITDA of HK$218.1 million during the Reporting Period. The net gearing ratio remained at a healthy level of 17.8% as at the end of the Reporting Period. The Group's cash reserves remained robust, with a balance of HK$871.0 million as of the end of the Reporting Period.

OPERATION PERFORMANCE

Extensive Portfolio to Meet Evolving Demand

As a prominent manufacturer and supplier of generic pharmaceuticals in Hong Kong, the Group boasts an extensive and carefully curated portfolio of essential and specialty drugs to cater to the diverse and evolving requirements of both healthcare professionals and patients alike.

The Group's generics business gained momentum during the Reporting Period as a result of Hong Kong's return to normalcy and economic recovery following the relaxation of pandemic-related restrictions. This growth was facilitated by increased social activities and the resurgence of medical consultation visits.

Furthermore, the removal of mask-wearing mandates, along with a decline in overall community immunity against seasonal flu, has heightened the public's susceptibility to influenza infections. As a result, there has been a sustained increase in flu cases, especially among school children. This, in turn, has driven up the demand for cold and flu treatments, contributing to the growth of both the Public and Private Sectors of the Group's business during the Reporting Period, alongside the robust trend in medication demand among the aging population and chronic disease patients.

The robust growth of medications catering to the elderly and those with chronic diseases is exemplified by the Group's cardiovascular offerings. The angiotensin II antagonists class has shown notable growth, attributed to the increasing consumption of Losartan Tablets. Additionally, other anti-hypertensive medications have also recorded substantial growth during the Reporting Period, primarily due to increased usage of Hydralazine and Prazosin Tablets. Furthermore, the Diuretic class saw significant growth due to the newly awarded public tender for Eplerenone Tablets.

Furthermore, therapeutic sectors like Analgesics and Antihistamines have exhibited strong growth rates, and Arsenic Trioxide Oral Solution in the Cytotoxic Chemotherapy category has shown significant growth as well.

During the Reporting Period, the Group secured first-time orders, which included Brimonidine 1.5mg Eye Drops, Finasteride Tablet 5mg, Metronidazole Oral Suspension, and Dexamethasone Oral Suspension.

New Product Introduction

Our unwavering commitment to providing a broad array of high-quality medications underscores our ongoing effort to supply quality generics that cater to both medical and patient needs.

Throughout the Reporting Period, the Group introduced several new products, including Eplerenone Tablets, Letrozole Tablets, and Finasteride Tablets. Furthermore, the Group has obtained registration approval for 18 new products, poised for upcoming market launches.

R&D Pipeline Progress

By adhering to a prudent and disciplined approach to research and development, we maintained steady progress within our R&D pipeline throughout the Reporting Period. As of 30 September 2023, our pipeline comprised 181 products, with 63 of them having received registration approval and 11 currently in the registration submission process. Furthermore, 55 products have completed the development stage and are undergoing stability preparation or stability studies. Additionally, 17 items are currently in the formulation or pre-formulation research development stage.

Enhancing Production Capacity

During the Reporting Period, the Group has made significant progress in expanding production capacity. For instance, one of our manufacturing units achieved a 27.24% increase in solid dosage form production output compared to the previous half-year period, boosted by the addition of a new blistering line that became operational in the Reporting Period.

The total manufacturing output of the Group's liquid formulations increased by 12.65% in volume during the Reporting Period compared to the same period of last year. Additionally, the production of semi-solid dosage forms increased by 6.34% in sales packaging, while solid dosage forms showed a modest decline in contrast to the heightened demand from the same period of last year.

By leveraging our scalable production capacities, the Group is well-positioned to meet the changing demands of the public for medications. Our ability to adapt and expand our production capabilities ensures that we can readily respond to evolving market needs effectively and efficiently.

BUSINESS DEVELOPMENT

In-license of Specialised Products

In our continued efforts to enhance our offerings and broaden our portfolio of specialised drugs to complement our existing pipeline, we remained committed to a robust in-licensing strategy through collaborations with reputable manufacturers worldwide.

During the Reporting Period, we have made significant progress by securing exclusive in-licensing agreements for exceptional pharmaceutical products. This includes a notable addition to our portfolio – an in-licensed product from South Korea that strengthens our gastrointestinal health offerings. Furthermore, we have also successfully secured specialty pharmaceuticals from the United Kingdom, signifying a significant milestone in our in-licensing strategy. These products fall under the category of New Chemical Entities (NCE), a designation that secures them a distinct advantage of eight-year exclusivity protection from the Department of Health upon the granting of Marketing Authorization (MA). This exclusive status empowers us to fully exploit their market potential over an extended period.

Strategic Partnership and Collaboration

In our ongoing commitment to innovative therapies, we are actively focused on expanding the market access of Arsenic Trioxide Oral Solution and making notable progress in this initiative. This unique product, being jointly developed by The University of Hong Kong (“**HKU**”) and Jacobson in Hong Kong, is the only authorised oral formulation of Arsenic Trioxide for the treatment of acute promyelocytic leukemia. Clinical studies conducted by HKU have demonstrated that this oral solution is as effective as its injectable counterparts while maintaining a superior safety profile.

Under the regulatory framework of Guangdong Province, aimed at facilitating the introduction of drugs and medical devices registered in Hong Kong and used in Hong Kong public hospitals into the Guangdong-Hong Kong-Macau Greater Bay Area (“**GBA**”), Arsenic Trioxide Oral Solution has been included in the formulary of HKU-Shenzhen Hospital, with the first patient scheduled to commence treatment in October 2023.

In expanding the product’s accessibility to benefit more patients in the GBA, we are currently engaged in collaborative efforts to list the product at Foshan Fosun Chancheng Hospital in the near future. A total of 19 medical institutions in Guangdong Province now have the potential to access this therapy through this pilot scheme.

Furthermore, we are actively setting up a named patient distribution network in Malaysia in collaboration with a local distributor to boost our marketing and sales initiatives. This product underscores our commitment to improving patient outcomes by making innovative treatments more widely available.

E-ordering System to Enhance Sales and Customer Service Platform

In a bid to bolster its sales and customer service capabilities, the Group has initiated the development of "e-Jacob Pharma2U", an e-ordering platform aimed at capitalising on the growing trend of online purchasing. This platform is designed to streamline the procurement of pharmaceutical products and medical supplies, focusing on private clinics. Its primary objective is to provide a comprehensive e-commerce solution, offering customers a user-friendly platform for product search, order placement, and timely re-order reminders. Moreover, it will serve as a valuable marketing tool to promote new products, strengthening the Group's competitive edge and optimising the drug ordering process for customers.

In terms of progress, the e-Jacob Pharma2U project has reached its final development stage. The User Acceptance Testing (UAT) phase is near completion, ensuring the platform's functionality, security, and user-friendliness are of the highest standard. The pilot launch of e-Jacob Pharma2U is scheduled for the end of 2023, allowing for user feedback and fine-tuning before a broader rollout. For medical professionals and key customers, this platform offers easy access to the product range, real-time interaction with the sales team, streamlined order placement, and data-driven insights to drive targeted promotions and new product launches. Overall, e-Jacob Pharma2U embodies the Group's commitment to enhancing the customer experience through digital transformation, with a focus on customer centricity and digital capabilities.

OUTLOOK

Looking ahead to the next six months, we anticipate a steady post-pandemic recovery in both economic and social activities. This aligns with our expectation of maintaining positive momentum for our business. As a prominent pharmaceutical company in Hong Kong, we remain dedicated to our mission of delivering health and serving as a trusted partner in safeguarding public well-being.

While we maintain a sense of optimism following the robust recovery experienced in the first half of FY2024, we are also mindful of the challenges posed by inflationary pressures, high interest rates, and geopolitical uncertainties. We are committed to ensuring the adaptability and resilience of our business in this evolving environment, as we have demonstrated.

Nonetheless, we maintain a steadfastly positive outlook for the healthcare industry and the growth potential of the generic drugs market. Key drivers, such as increased government healthcare investment (e.g., the Chronic Disease Co-Care Pilot Scheme – CDCC), generics substitution policies, an aging population, increasing prevalence of chronic diseases, and heightened demand for improved healthcare, will continue to drive growth in both essential and specialty medicines.

Our business stands on a solid foundation, bolstered by clear recovery trends in both Public and Private Sectors of our market. We will continue to focus on advancing our growth strategies and solidifying our position as an eminent provider of essential and specialty medicines in Hong Kong and Asia.

To enhance our market position, our strategic priorities will revolve around maximising commercial opportunities from our portfolio, bolstering product pipelines through in-licensing and in-house R&D, establishing a robust commercial platform for marketing and regulatory affairs management to facilitate collaboration with regional and international partners, and expanding our footprint in key Asian markets.

CORPORATE DEVELOPMENT

Distribution in Specie of JBM Healthcare Shares

The Company has on 1 August 2023 convened the 2023 AGM and passed the resolution of the declaration and payment of a special dividend in the form of a distribution in specie of 492,259,244 JBM Healthcare Shares on a basis of 509 JBM Healthcare Shares for every 2,000 shares in the capital of the Company. Details of the distribution in specie were set out in the circular of the Company dated 10 July 2023.

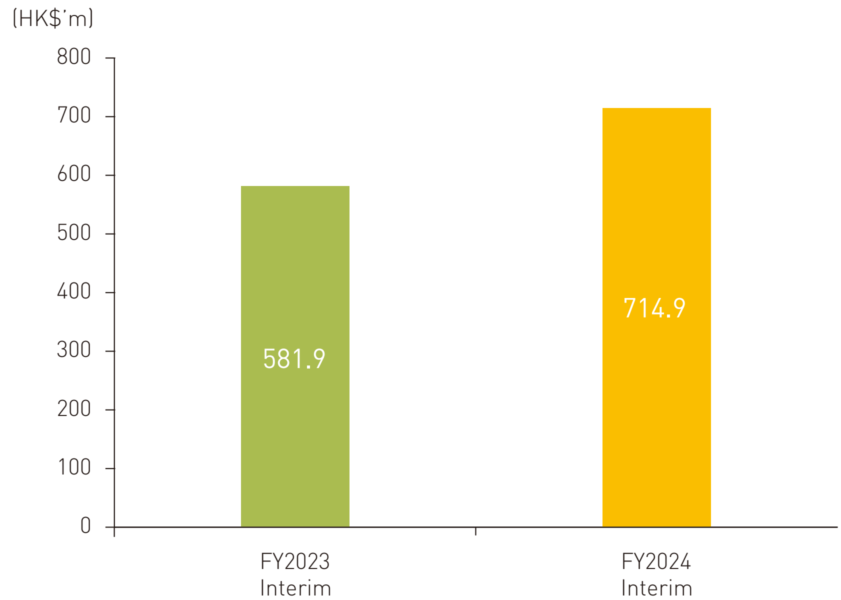
REMUNERATION POLICY

As of 30 September 2023, the Group has a total of 1,588 employees (compared to 1,567 employees as of 30 September 2022). For the Reporting Period, the total staff cost of the Group was HK$215.4 million, compared to HK$182.0 million for the six months ended 30 September 2022 with the corresponding enhancement in staff deployment supporting the growth and development of the Group. In order to attract and retain talents, the Group has raised the remuneration package of our employees during the Reporting Period. 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 30 September 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

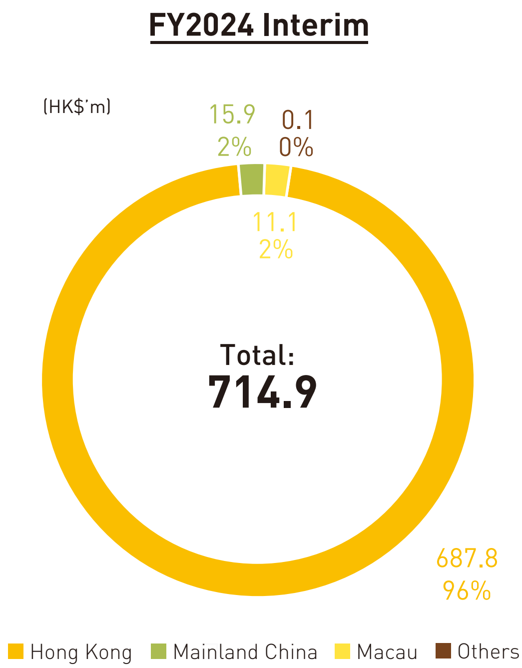


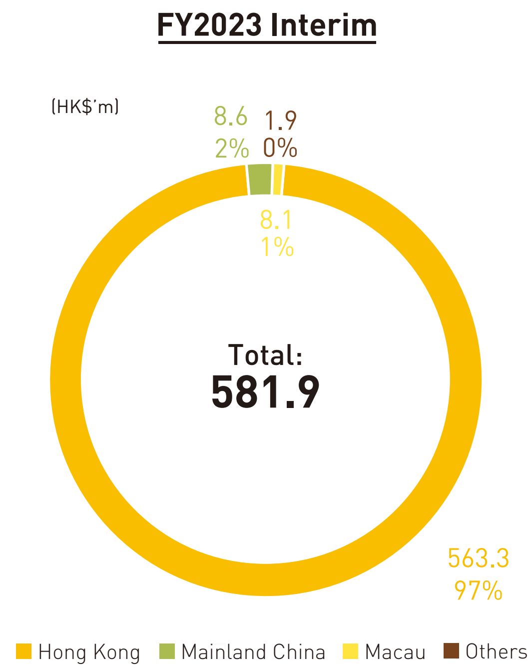
The Group's business has shown significant growth during the Reporting Period, with an increase in sales revenue of HK$133.0 million or 22.9% over the FY2023 Interim. This strong business performance can be attributed to the sustained economic recovery and the upswing in social activities following the lifting of pandemic-related measures, facilitating the resurgence of medical consultation visits.

In addition, the demand for cold and flu treatments has surged due to the removal of mask-wearing mandates and a decline in overall community immunity against seasonal flu. This heightened susceptibility to influenza infections has resulted in a sustained increase in flu cases, particularly among school children. As a consequence, the demand for cold and flu treatments has risen notably, especially within the Private Sector, during the Reporting Period.

Moreover, the Public Sector experienced solid and stable growth during the Reporting Period, driven by robust demand for medications among the aging population and chronic disease patients, as well as newly awarded public tenders.

__Revenue from continuing operations by geographic locations__

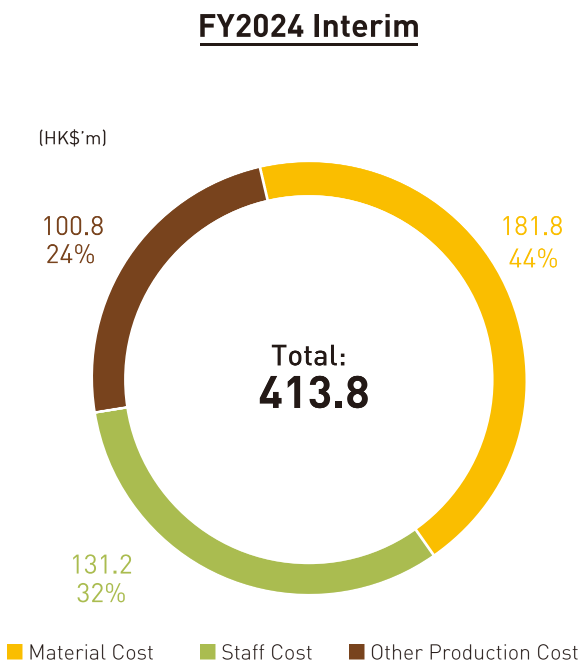


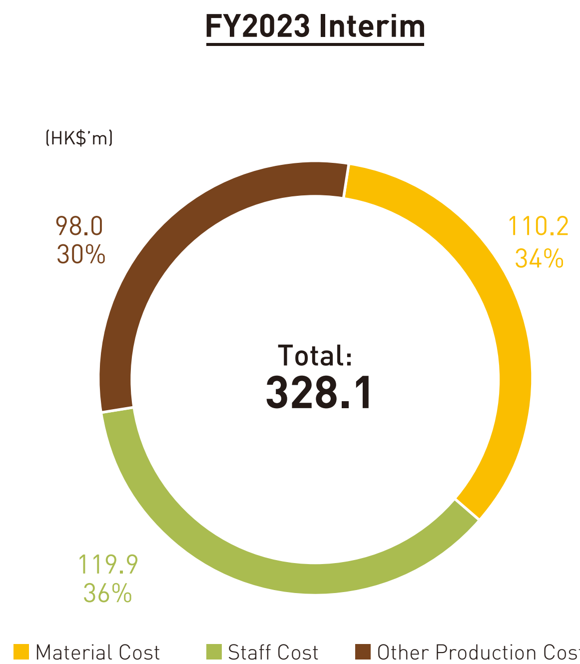


During the Reporting Period, Hong Kong remained the primary revenue driver, accounting for 96% of the total revenue and delivering a notable increase of HK$124.5 million or 22.1% compared to the FY2023 Interim. This growth, attributed to heightened demand for the Group's essential drugs and specialty medicines, was fueled by Hong Kong's return to normalcy and the upswing in social activities that facilitated the resurgence in medical consultation visits, alongside in a sustained increase in flu cases. The substantial demand for medications, propelled by an aging population and the prevalence of chronic diseases in Hong Kong, further contributed to this noteworthy performance.

The revenue surge in Mainland China, amounting to HK$7.3 million or 85.4%, was primarily driven by the heightened demand for cold and flu range products during the Reporting Period. In Macau, a revenue increase of HK$3.0 million or 37.0% was predominantly a result of eased travel restrictions during the Reporting Period. Conversely, the decline in revenue from other overseas markets stemmed from weakened demand in certain Southeast Asian countries during the Reporting Period.

Cost of Sales



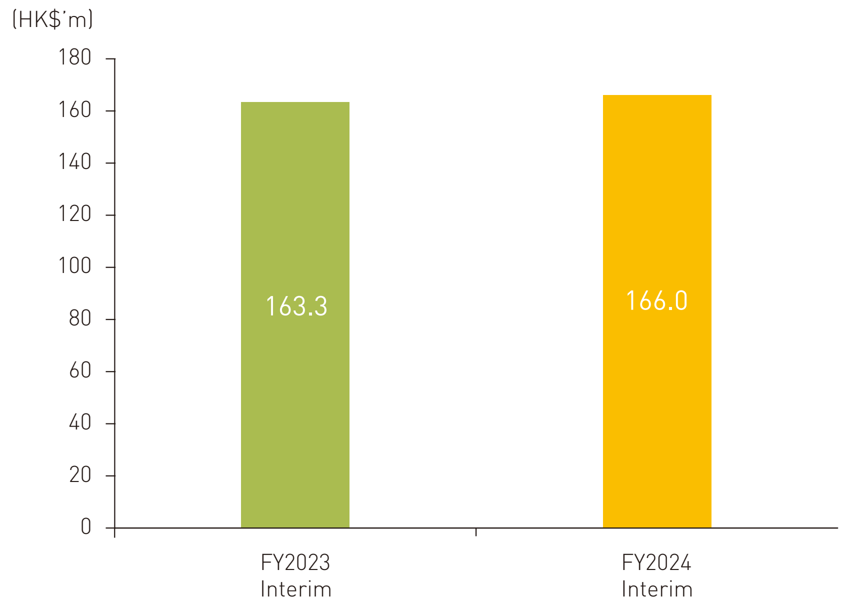


The increase in cost of sales of HK$85.7 million or 26.1% was generally in line with the overall sales growth of the Group during the Reporting Period. Material cost continued to be the major component contributing approximately 44% of the total cost of sales, while staff cost and other production cost contributed 32% and 24% respectively.

The increase in material cost of HK$71.6 million or 65.0% was attributable to the increased production volume as a result of the uplifted sales demand, raising procurement cost of production materials and change in sales mix during the Reporting Period.

The increase in staff cost of HK$11.3 million or 9.4% is indicative of the increased production volume necessary to meet the heightened demand for our products and the salary increments implemented to attract and retain production staff during the Reporting Period. Given the significant increase in production volume resulting from increased sales demand, other production costs only experienced a marginal increase of HK$2.8 million or 2.9%. This modest increase can be attributed to the successful implementation of an optimisation program and cost rationalisation measures.

Profit from Operations



The increase in profit from operations by HK$2.7 million or 1.7% to HK$166.0 million was mainly attributable to the growth in sales, offset partially by the one-off Employment Support Scheme subsidy from the Hong Kong Government of HK$22.1 million recognised during FY2023 Interim as other net income, the decrease in net distribution and logistic service income of HK$13.1 million and the increase in operating expenses as a result of business expansion during the Reporting Period.

Excluding the one-off Employment Support Scheme subsidy from the Hong Kong Government, the profit from operations increased by HK$24.8 million or 17.6%.

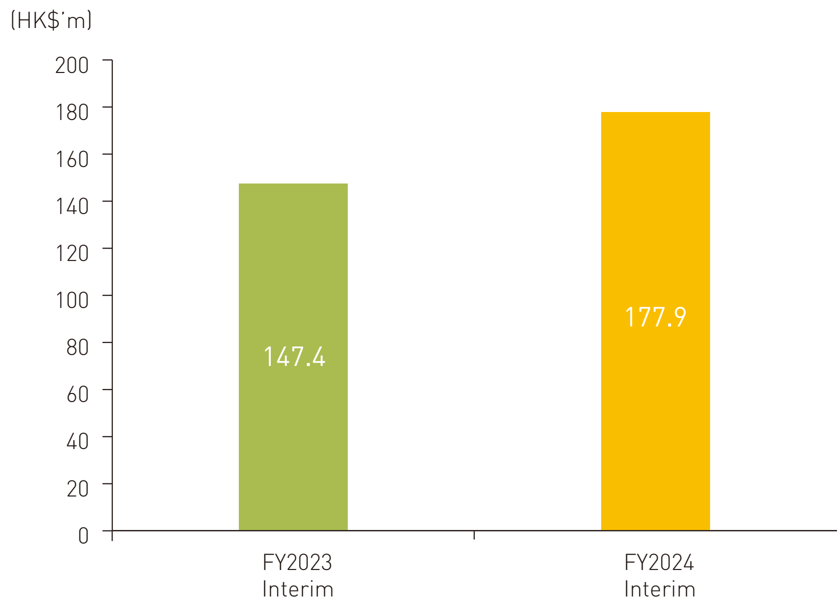
Finance Costs

The significant increase in finance costs by HK$27.9 million or 142.2% was mainly attributable to the raising interest rates in the market during the Reporting Period.

Income Tax

The decrease in income tax primarily reflected the lower profits before taxation for FY2024 Interim compared to FY2023 Interim after excluding the non-taxable one-off Employment Support Scheme subsidy from the Hong Kong Government of HK$22.1 million recognised during FY2023 Interim.

Profit for the Period



The profit for the period increased significantly by HK$30.5 million or 20.7% to HK$177.9 million, which reflected the significant sales growth, the one-off net gain on distribution in specie of HK$28.2 million resulted from the distribution in specie of JBM Healthcare Shares on 24 August 2023 and the increase in profit contributed by the discontinued operations, the branded healthcare segment, by HK$23.9 million which was driven primarily by strong performance of its proprietary Chinese medicines and branded medicines, offset partially by the increase in operating expenses as a result of business expansion and finance costs due to the raising interest rates in the market during the Reporting Period.

Excluding the one-off Employment Support Scheme subsidy from the Hong Kong Government, the profit for the period increased by HK$52.6 million or 42.0%.

Assets

Property, plant and equipment and investment properties

The decrease in property, plant and equipment and investment properties principally reflected the depreciation of HK$68.4 million and the segregation of the JBM Healthcare Group from the Group as a result of the distribution in specie of JBM Healthcare Shares on 24 August 2023 (JBM Healthcare Group had property, plant and equipment of HK$133.4 million as at 24 August 2023), which was offset partially by the additions of HK$23.1 million mainly arose from the acquisitions of properties, plant and machinery used by our pharmaceutical manufacturing plants and the acquisitions of investment properties of HK$22.1 million.

Intangible assets

The decrease in intangible assets was primarily attributable to the amortisation of HK$17.7 million and the segregation of the JBM Healthcare Group from the Group as a result of the distribution in specie of JBM Healthcare Shares on 24 August 2023 (JBM Healthcare Group had intangible assets of HK$860.6 million as at 24 August 2023).

Inventories

The decrease in inventories was mainly resulted from the segregation of the JBM Healthcare Group from the Group as a result of the distribution in specie of JBM Healthcare Shares on 24 August 2023 (JBM Healthcare Group had inventories of HK$59.4 million as at 24 August 2023).

Cash and cash equivalents

As at 30 September 2023, approximately 99.5% of cash and cash equivalents were denominated in Hong Kong dollars (as at 31 March 2023: 98.9%), while the remaining balances were denominated in Euros, United Stated dollars, Renminbi, Taiwan dollars and Macau pataca.

Liabilities

Bank loans

The decrease in bank loans as at 30 September 2023 was mainly attributable to partial repayment of the syndicated loan of HK$116.0 million during the Reporting Period for optimising the Group's financial leverage, as well as the segregation of the JBM Healthcare Group from the Group as a result of the distribution in specie of JBM Healthcare Shares on 24 August 2023 (JBM Healthcare Group had bank loans of HK$130.0 million as at 24 August 2023). As at 30 September 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 2023 and 30 September 2023 respectively, and the expected timeline of the use of the unutilised IPO Proceeds:

		As at 31 March 2023		**As at 30 September 2023**		
Use of IPO Proceeds	**Proposed application*** *HK$'000*	Actual utilised amount *HK$'000*	Unutilised amount *HK$'000*	**Actual utilised amount** ***HK$'000***	**Unutilised amount** ***HK$'000***	**Expected timeline for utilising the remaining IPO Proceeds**
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*	85,340	13,109	**89,080**	**9,369**	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	682,431	13,109	**686,171**	**9,369**	

* 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

As at 30 September 2023, the Group had no assets pledged against bank loans. The carrying value of assets pledged against bank loans was HK$73.9 million as at 31 March 2023.

NET GEARING RATIO

The net gearing ratio of the Group (bank loans less cash and cash equivalents, divided by total equity multiplied by 100%) increased from 15.6% as at 31 March 2023 to 17.8% as at 30 September 2023, mainly attributable to the segregation of the JBM Healthcare Group from the Group as a result of the distribution in specie of JBM Healthcare Shares on 24 August 2023 (JBM Healthcare Group had cash and cash equivalents of HK$152.2 million as at 24 August 2023).

To further optimise the financial positions and reduce interest costs of the Group, the Group further repaid its bank loans after 30 September 2023. As at the date of this interim results announcement, the outstanding loan balance of the Group was HK$872.0 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 30 September 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 30 September 2023 and up to the date of this interim results 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 primarily engaged in the development, production, marketing and sale of essential medicines and specialty drugs, 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.

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.

REVIEW OF INTERIM RESULTS

The interim results for the six months ended 30 September 2023 are unaudited, but have been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the 2023 Interim Report to be sent to shareholders of the Company.

The Audit Committee, together with management of the Company, has also reviewed the interim results for the six months ended 30 September 2023.

INTERIM DIVIDEND

The Board declared the payment of an interim dividend per Share for the six months ended 30 September 2023 of HK2.5 cents for the total amount of approximately HK$48.4 million (six months ended 30 September 2022: HK2.8 cents). The interim dividend will be paid on 10 January 2024 (Wednesday) to shareholders whose names appear on the register of members of the Company on 21 December 2023 (Thursday), the record date. The details of interim dividend of the Group are set out in note 9 to this interim results announcement.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of shareholders of the Company to receive the interim dividend, the register of members of the Company will be closed from 20 December 2023 (Wednesday) to 21 December 2023 (Thursday), both days inclusive, during which period no transfer of Shares will be registered. All transfer documents, accompanied by the relevant share certificates, shall 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 19 December 2023 (Tuesday).

PUBLICATION OF THIS INTERIM RESULTS ANNOUNCEMENT AND THE 2023 INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.jacobsonpharma.com). The 2023 Interim 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, 24 November 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 2023 annual general meeting of the Company
"2023 Interim Report"	the interim report of the Company for the six months ended 30 September 2023
"adjusted EBITDA"	adjusted earnings before interest, taxes, depreciation and amortisation
"Board"	the board of directors of the Company
"CG Code"	Corporate Governance Code as amended or supplemented from time to time contained in Appendix 14 to the Listing Rules
"China", "Mainland China" or "the PRC"	the People's Republic of China excluding, for the purpose of this interim results 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
"FY2023 Interim"	the six months ended 30 September 2022
"FY2024"	the year ending 31 March 2024
"FY2024 Interim" or "Reporting Period"	the six months ended 30 September 2023
"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 Healthcare"	JBM (Healthcare) Limited, an exempted company incorporated in the Cayman Islands with limited liability on 7 January 2020, the issued shares of which are listed on the Main Board on 5 February 2021 (stock code: 2161)
"JBM Healthcare Group"	JBM Healthcare and its subsidiaries
"JBM Healthcare 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 Transaction 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 one of our controlling shareholders
"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(s)" or "share(s)"	ordinary share(s) in the capital of the Company with nominal value of HK$0.01 each
"Share Award Scheme"	the share award scheme adopted by our Company on 16 October 2018 and amended on 21 September 2023
"Stock Exchange"	The Stock Exchange of Hong Kong Limited