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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)



JBM (Healthcare) Limited

健倍苗苗(保健)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2161)

**JOINT ANNOUNCEMENT
REVISION OF THE EXISTING ANNUAL CAPS
FOR THE CONTINUING CONNECTED TRANSACTIONS
UNDER THE 2023 MANUFACTURING SERVICES AGREEMENT**

REVISION OF THE EXISTING ANNUAL CAPS

Reference is made to the Announcement in relation to, among other things, the continuing connected transactions contemplated under the 2023 Manufacturing Services Agreement.

In anticipation of the increase in orders for the Selected Generic Drugs for the years ending 31 March 2025 and 31 March 2026, the directors of Jacobson and JBM envisage that the Existing Annual Caps will not be sufficient. Therefore, with effect from 2 April 2024, the Existing Annual Caps have been revised and increased to the Revised Annual Caps.

LISTING RULES IMPLICATIONS

As at the date of this joint announcement, (i) Mr. Sum, a non-executive director, the chairman, and a controlling shareholder of JBM, is interested in approximately 59.42% of the issued shares of Jacobson, and therefore, Jacobson is an associate of Mr. Sum and a connected person of JBM; and (ii) Mr. Sum, an executive director, the chairman, the chief executive officer, and a controlling shareholder of Jacobson, is interested in approximately 60.83% of the issued shares of JBM, and therefore, JBM is an associate of Mr. Sum and a connected person of Jacobson. Accordingly, the transactions contemplated under the 2023 Manufacturing Services Agreement constitute continuing connected transactions of both Jacobson and JBM under Chapter 14A of the Listing Rules.

According to Rule 14A.54 of the Listing Rules, if a listed issuer proposes to revise the annual caps for continuing connected transactions, the listed issuer is required to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant continuing connected transactions.

As the highest applicable percentage ratio in respect of the Revised Annual Caps is higher than 0.1% but less than 5%, the Revision of the Existing Annual Caps is subject to the reporting, announcement and annual review requirements but exempted from the circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

REVISION OF THE EXISTING ANNUAL CAPS

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2023 Manufacturing Services Agreement

The principal terms of the 2023 Manufacturing Services Agreement remain unchanged, a summary of which is set out below:

Date	3 March 2023
Parties	(1) JBM (on behalf of its subsidiaries) (2) Jacobson (on behalf of its subsidiaries)
Subject	The JBM Group agreed to provide, among other things, manufacturing services of the Selected Generic Drugs to the Jacobson Group, pursuant to the terms of the 2023 Manufacturing Services Agreement.
Term	The term of the 2023 Manufacturing Services Agreement shall commence from 1 April 2023 and end on 31 March 2026 (both days inclusive), and is renewable upon expiry at the discretion of the parties thereto on terms to be agreed by them.

The 2023 Manufacturing Services Agreement may be terminated during its term by either party by giving the other party no less than six months' prior written notice.

Pricing

According to the 2023 Manufacturing Services Agreement, the manufacturing services fees of Selected Generic Drugs payable by the Jacobson Group to the JBM Group under the 2023 Manufacturing Services Agreement will be determined with reference to the costs of manufacturing, including all fixed and variable costs of labour, raw materials, electricity and utility charges, and other production overheads, plus a profit margin of 15.0%, which shall be on normal commercial terms and comparable to the prices offered to, or quoted by, independent third parties (as the case may be) for manufacturing services of the relevant products.

Proposed revision of the annual caps and basis of determination

The directors of Jacobson and JBM have considered the following and agreed on the Revised Annual Caps for the manufacturing of Selected Generic Drugs under the 2023 Manufacturing Services Agreement as below:

Historical transaction amounts for the manufacturing of Selected Generic Drugs

The following table sets forth the actual services fees paid by the Jacobson Group to the JBM Group for the manufacturing of Selected Generic Drugs under the 2021 Manufacturing Services Agreement and the 2023 Manufacturing Services Agreement for the periods indicated:

	Historical transaction amount (HK\$'000)		
	For the year ended 31 March		
	2022	2023	2024
Actual services fees (approximate)	1,956	2,342	3,390 ^(Note)

Note: As at the date of this joint announcement, based on Jacobson's and JBM's unaudited management accounts and operational data, the actual services fees for the manufacturing of Selected Generic Drugs for the year ended 31 March 2024 under the 2023 Manufacturing Services Agreement have not exceeded the annual cap for the year ended 31 March 2024.

Existing Annual Caps for the manufacturing of Selected Generic Drugs

The following table sets forth the Existing Annual Caps for the services fees payable by the Jacobson Group to the JBM Group for the manufacturing of Selected Generic Drugs under the 2023 Manufacturing Services Agreement for each of the three years ended/ending 31 March 2026:

	Annual cap (HK\$'000)		
	For the year ended/ending 31 March		
	2024	2025	2026
Annual caps	3,500	3,500	3,500

Revised Annual Caps for the manufacturing of Selected Generic Drugs and the basis for determining the Revised Annual Caps

The following table sets forth the Revised Annual Caps for the services fees payable by the Jacobson Group to the JBM Group for the manufacturing of Selected Generic Drugs under the 2023 Manufacturing Services Agreement for each of the two years ending 31 March 2026:

	Annual cap (HK\$'000)	
	For the year ending 31 March	
	2025	2026
Annual caps	5,000	6,500

In determining the Revised Annual Caps, the directors of Jacobson and JBM have considered the historical transaction amounts, the expected demand from the Jacobson Group for manufacturing services of Selected Generic Drugs based on the sales in the year ended 31 March 2024 and the products order projected by the Jacobson Group. The services fees payable by the Jacobson Group to the JBM Group will be settled by internal resources of Jacobson Group.

Reasons for and benefits of the Revised Annual Caps

The manufacture and sale of the Selected Generic Drugs, along with the relevant production facilities, were originally part of the Ho Chai Kung business prior to the HCK Acquisition. After the acquisition and considering the nature of the products, the marketing and sales of the Selected Generic Drugs were restructured under the generic drugs segment of the Jacobson Group. However, due to existing product registration and manufacturing license arrangements, and the intention to utilise available production capacity, production of the Selected Generic Drugs has remained under the Ho Chai Kung business, which is now part of the JBM Group. This arrangement was being formalised under the 2021 Manufacturing Services Agreement as continuing connected transactions.

In anticipation of the increase in orders for the Selected Generic Drugs for the years ending 31 March 2025 and 31 March 2026, and considering that the pricing of manufacturing services under the 2023 Manufacturing Services Agreement will be determined on normal commercial terms comparable to those offered to, or quoted by independent third parties, the directors of Jacobson and JBM (including the independent non-executive directors of Jacobson and JBM) view the transactions under the 2023 Manufacturing Services Agreement as being on normal commercial terms or better, within the ordinary business scope of the Jacobson and JBM Groups. Consequently, the Revision of the Existing Annual Caps is deemed fair, reasonable, and in the interests of both Jacobson and JBM, as well as their respective shareholders.

Mr. Sum, being a director and a controlling shareholder of both Jacobson and JBM, and Mr. Yim Chun Leung, being a director of both Jacobson and JBM, have abstained from voting on the resolutions of their respective boards in relation to the Revision of the Existing Annual Caps to avoid any potential conflict of interests. Save as disclosed above, no directors of Jacobson or JBM are considered to have a material interest in the Revision of the Existing Annual Caps or are required to abstain from voting on the corresponding board resolutions.

INTERNAL CONTROL MEASURES

Both Jacobson and JBM have adopted the following internal control and corporate governance measures to ensure that the transactions contemplated under the 2023 Manufacturing Services Agreement will be conducted on normal commercial terms and in accordance with its terms:

- (i) the audit committee of both Jacobson and JBM will be reviewing and evaluating the terms of the 2023 Manufacturing Services Agreement for the continuing connected transactions, in particular the pricing principles and annual caps, to ensure that such terms are fair and reasonable to the corresponding group and in compliance with the Listing Rules;
- (ii) the directors (including the independent non-executive directors) of both Jacobson and JBM will be able to seek independent professional advice in respect of the continuing connected transactions from external professional parties in appropriate circumstances;
- (iii) the various internal departments (including but not limited to the finance and accounting department, sales department and production department) of both Jacobson and JBM will regularly monitor the implementation of the continuing connected transactions and keep track of the aggregate transaction amounts under the relevant agreements to ensure that the pricing principles and annual caps contained therein are complied with;
- (iv) both Jacobson and JBM have adopted relevant reporting and record-keeping procedures to allow their respective independent non-executive directors and auditors to perform annual review of the continuing connected transactions (including the transactions contemplated under the 2023 Manufacturing Services Agreement) and provide annual confirmations in accordance with the Listing Rules; and
- (v) both Jacobson and JBM will duly disclose in their respective annual report the continuing connected transactions to be conducted during each financial year, together with the conclusions drawn by their respective independent non-executive directors on whether the transactions are conducted in our ordinary and usual course of business, on normal commercial terms or better, and according to the relevant agreements on terms that are fair and reasonable and in the interests of their respective shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this joint announcement, (i) Mr. Sum, a non-executive director, the chairman, and a controlling shareholder of JBM, is interested in approximately 59.42% of the issued shares of Jacobson, and therefore, Jacobson is an associate of Mr. Sum and a connected person of JBM; and (ii) Mr. Sum, an executive director, the chairman, the chief executive officer, and a controlling shareholder of Jacobson, is interested in approximately 60.83% of the issued shares of JBM, and therefore, JBM is an associate of Mr. Sum and a connected person of Jacobson. Accordingly, the transactions contemplated under the 2023 Manufacturing Services Agreement constitute continuing connected transactions of both Jacobson and JBM under Chapter 14A of the Listing Rules.

According to Rule 14A.54 of the Listing Rules, if a listed issuer proposes to revise the annual caps for continuing connected transactions, the listed issuer is required to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant continuing connected transactions.

As the highest applicable percentage ratio in respect of the Revised Annual Caps is higher than 0.1% but less than 5%, the Revision of Existing Annual Caps is subject to the reporting, announcement and annual review requirements but exempted from the circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION OF THE PARTIES

Jacobson is an exempted company with limited liability incorporated in the Cayman Islands and an investment holding company, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 2633). Jacobson and its subsidiaries are principally engaged in the manufacturing, sale, and distribution of essential medicines and specialty drugs. As at the date of this joint announcement, Mr. Sum is interested in approximately 59.42% of the issued shares of Jacobson.

JBM is an exempted company with limited liability incorporated in the Cayman Islands and an investment holding company, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 2161). JBM and its subsidiaries are principally engaged in the manufacturing, sale, and distribution of proprietary Chinese medicines, branded medicines, and health and wellness products. As at the date of this joint announcement, Mr. Sum is interested in approximately 60.83% of the issued shares of JBM.

DEFINITIONS

In this joint announcement, the following expressions have the following meanings, unless the context requires otherwise:

“2021 Manufacturing Services Agreement”	the agreement dated 19 January 2021 entered into between JBM (on behalf of its subsidiaries) and Jacobson (on behalf of its subsidiaries) in relation to, among others, the provision of manufacturing services of Selected Generic Drugs by the JBM Group to the Jacobson Group
“2023 Manufacturing Services Agreement”	the agreement dated 3 March 2023 entered into between JBM (on behalf of its subsidiaries) and Jacobson (on behalf of its subsidiaries) in relation to the renewal of the 2021 Manufacturing Services Agreement for a term commencing from 1 April 2023 and ending on 31 March 2026 (both days inclusive)
“Announcement”	the joint announcement of Jacobson and JBM dated 3 March 2023 in respect of, among others, the 2023 Manufacturing Services Agreement

“associate”	has the meaning as prescribed in the Listing Rules
“connected person”	has the meaning as prescribed in the Listing Rules
“controlling shareholder”	has the meaning as prescribed in the Listing Rules
“Existing Annual Caps”	the annual caps in respect of the services fees payable by the Jacobson Group to the JBM Group for the manufacturing of Selected Generic Drugs for the years ending 31 March 2025 and 31 March 2026 as contemplated under the 2023 Manufacturing Services Agreement and as disclosed in the Announcement
“HCK Acquisition”	the major transaction of Jacobson in relation to the acquisition of Victor Luck Limited and Happy Echo Limited, which are principally engaged in manufacturing, marketing and sale of proprietary medicines under the brand name of Ho Chai Kung (何濟公)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Jacobson”	Jacobson Pharma Corporation Limited (雅各臣科研製藥有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 16 February 2016 and the issued shares of which were listed on the Main Board of the Stock Exchange on 21 September 2016 (stock code: 2633)
“Jacobson Group”	Jacobson and its subsidiaries
“JBM”	JBM (Healthcare) Limited (健倍苗苗(保健)有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 7 January 2020 and the issued shares of which were listed on the Main Board of the Stock Exchange on 5 February 2021 (stock code: 2161)
“JBM Group”	JBM and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Mr. Sum”	Mr. Sum Kwong Yip, Derek, (i) an executive director, the chairman, chief executive officer, and a controlling shareholder of Jacobson; and (ii) a non-executive director, the chairman and a controlling shareholder of JBM

“percentage ratio(s)”	has the meaning as prescribed in the Listing Rules
“Revised Annual Caps”	the revised annual caps in respect of services fees payable by the Jacobson Group to the JBM Group for the manufacturing of Selected Generic Drugs for the years ending 31 March 2025 and 31 March 2026 as contemplated under the 2023 Manufacturing Services Agreement and as disclosed in this joint announcement
“Revision of the Existing Annual Caps”	the revision of the Existing Annual Caps to the Revised Annual Caps as disclosed in this joint announcement
“Selected Generic Drugs”	selected generic drugs, such as non-branded and non-proprietary cough syrup and capsules for cough and nasal congestion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning as prescribed in the Listing Rules
“%”	per cent

By Order of the Board
Jacobson Pharma Corporation Limited
YU Chun Kau
Company Secretary

By Order of the Board
JBM (Healthcare) Limited
WONG Yat Wai, Patrick
Executive Director and Chief Executive Officer

Hong Kong, 2 April 2024

As at the date of this joint announcement, the board of directors of Jacobson 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 Kwong Tong, Alan, Mr. Young Chun Man, Kenneth and Professor Lam Sing Kwong, Simon as independent non-executive directors.

As at the date of this joint announcement, the board of directors of JBM comprises Mr. Sum Kwong Yip, Derek as the Chairman and non-executive director, Mr. Wong Yat Wai, Patrick (also as Chief Executive Officer) and Dr. Cheng Celine Heung Kwan as executive directors, Mr. Yim Chun Leung and Mr. Yeung Kwok Chun, Harry as non-executive directors, and Mr. Chan Kam Chiu, Simon, Mr. Luk Ting Lung, Alan and Mr. Lau Shut Lee, Tony as independent non-executive directors.