
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OVERVIEW

Our Company was incorporated on January 7, 2020 to become the holding company of the branded healthcare business of the Jacobson Pharma Group. The Jacobson Pharma Group was the largest generic drug company in Hong Kong by sales in Hong Kong in 2019, according to the Frost & Sullivan Report. Through a series of investments, the Jacobson Pharma Group was established by Mr. Sum and Lau Wing Hung in 1998 initially as a pharmaceutical company and has over the past decades expanded successfully into various businesses, including the branded healthcare business operated by our Group.

Leveraging the “Jacobson” brand, we have built a large portfolio of branded healthcare products, which are broadly divided into two categories: (i) consumer healthcare, consisting of branded medicines and health and wellness products; and (ii) proprietary Chinese medicines. We introduced Contractubex, a consumer healthcare product, to the Hong Kong market in 2006, which has successfully addressed a then market gap and become one of the most recognizable scar treatment products in Hong Kong. Riding on this success, we continued to expand and grow our portfolio of branded medicines and health and wellness products by sourcing and introducing a wide range of third-party brand products. Meanwhile, we have successfully acquired a number of reputable proprietary Chinese medicine brands and their businesses, including Flying Eagle Woodlok Oil in 2003 and Po Chai Pills in 2010, rejuvenated their brands and market positions and grown their businesses substantially. More recently, as part of our strategy to further enhance our health and wellness product offerings, we launched the Dr. Freeman product series, our own brand health and wellness product line, in 2020 in response to the growing market demand for infection control and personal hygiene products. As of March 31, 2020, our portfolio of branded healthcare products consisted more than 1,700 products (including more than 700 single and combo formula CCMG products) counted by SKUs as in line with industry norm according to the Frost & Sullivan Report, and we carried a total of 20 principal brands (identified as our top 20 brands in terms of revenue contribution in the year ended March 31, 2020), including 11 principal third-party brands and 9 own brands. With the continuing growth and strategic focus on the branded healthcare business, the Spin-off is being conducted with a view to facilitating the further expansion of our branded healthcare business under a separate platform from the generic drug business of the Remaining Parent Group.

OUR BUSINESS MILESTONES

The following table illustrates the key milestones of our corporate and business development:

<u>Year</u>	<u>Milestone</u>
2003	Acquired the Flying Eagle Woodlok Oil business, an early milestone of the development of our proprietary Chinese medicine business
2006	Obtained the exclusive distribution right of Contractubex, our first third-party brand product, from Merz, which put us in a leading position in the scar treatment category
2010	Acquired control of the Po Chai Pills business and added Po Chai Pills to our proprietary Chinese medicine portfolio, which significantly fueled our growth in the proprietary Chinese medicine segment
2014-2017	Acquired the Tong Tai Chung Woodlok Oil, Ho Chai Kung, Shiling Oil and Saplingtan businesses, which further enriched our own brand product portfolio
2018-2019	Obtained the exclusive distribution right of AIM Atropine Eye Drops in Hong Kong, Macau and Singapore

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Year	Milestone
2018-2019	Acquired control of the Orizen Group, which expanded our product coverage to include CCMG products
2019	Invested in Smartfish from Norway by way of subscription for 9.04% of the issued share capital of Smartfish to further enhance our relationship with Smartfish
2020	Established a joint venture to distribute and sell Weisen-U (gastric tablets) to markets outside of Greater China and develop new product lines in other therapeutic areas under the brand “Weisen-U” for Asia
2020	Invested in a jointly controlled entity established by our Hong Kong Distributor to collaborate with a renowned PRC state-owned conglomerate (with an international business foothold as well as listed subsidiaries in both Hong Kong and China) under a joint venture arrangement to undertake the distributorship of our Po Chai Pills in China

MAJOR SUBSIDIARIES

The principal business activities and dates of establishment and commencement of business of those of our subsidiaries which made a material contribution to our results of operations during the Track Record Period are shown below:

Name of entity	Principal business activities	Place of establishment	Date of establishment and commencement of business
HCK Medicine	Manufacturing and sale of branded medicines	Hong Kong	September 23, 1966
Jacobson Medical	Trading of branded healthcare products	Hong Kong	October 15, 1996
Jetstar	Manufacturing and sale of proprietary Chinese medicines	Hong Kong	October 8, 1991
Karen Pharma	Manufacturing and sale of branded medicines	Hong Kong	December 10, 1982
LCST (Holdings)	Manufacturing and sale of proprietary Chinese medicines	Hong Kong	January 8, 1988
PCCH	Sale of CCMG products	Hong Kong	March 26, 2003
Singmalay	Manufacturing and sale of proprietary Chinese medicines	Hong Kong	July 29, 1998

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We have adopted a relatively extensive group structure whereby group companies are established and/or structured into sub-groups in accordance with our business segments, the main product brands operated thereunder and our operational structure. This shareholding structure enables us to more effectively manage, monitor and evaluate the performance of our business segments and product brands, and tailor our operational and business strategies for each of these business segments and product brands.

MAJOR ACQUISITIONS AND DISPOSALS

Acquisition of the Orizen Group

On July 11, 2018, we acquired 45% of the issued shares of Orizen from Mr. Law and a second vendor, both were at the relevant time Independent Third Parties, for a consideration of HK\$118.7 million, as a result of which the Orizen Group became associated companies of our Group. The said acquisition was completed and the consideration was fully settled as of July 11, 2018. On August 6, 2019, we acquired an additional 43% of the total issued shares of Orizen for a consideration of HK\$113.4 million from the same vendors and a third vendor who was an Third Party Independent, as a result of which our shareholding interests in Orizen increased to 88% and the Orizen Group became subsidiaries of our Group. The said acquisition was completed and the consideration was fully settled as of August 6, 2019. The consideration for two acquisitions was determined after arm's length negotiations with reference to (i) the future growth prospect and strategic development of the business of the Orizen Group; and (ii) the historical financial performance of the Orizen Group.

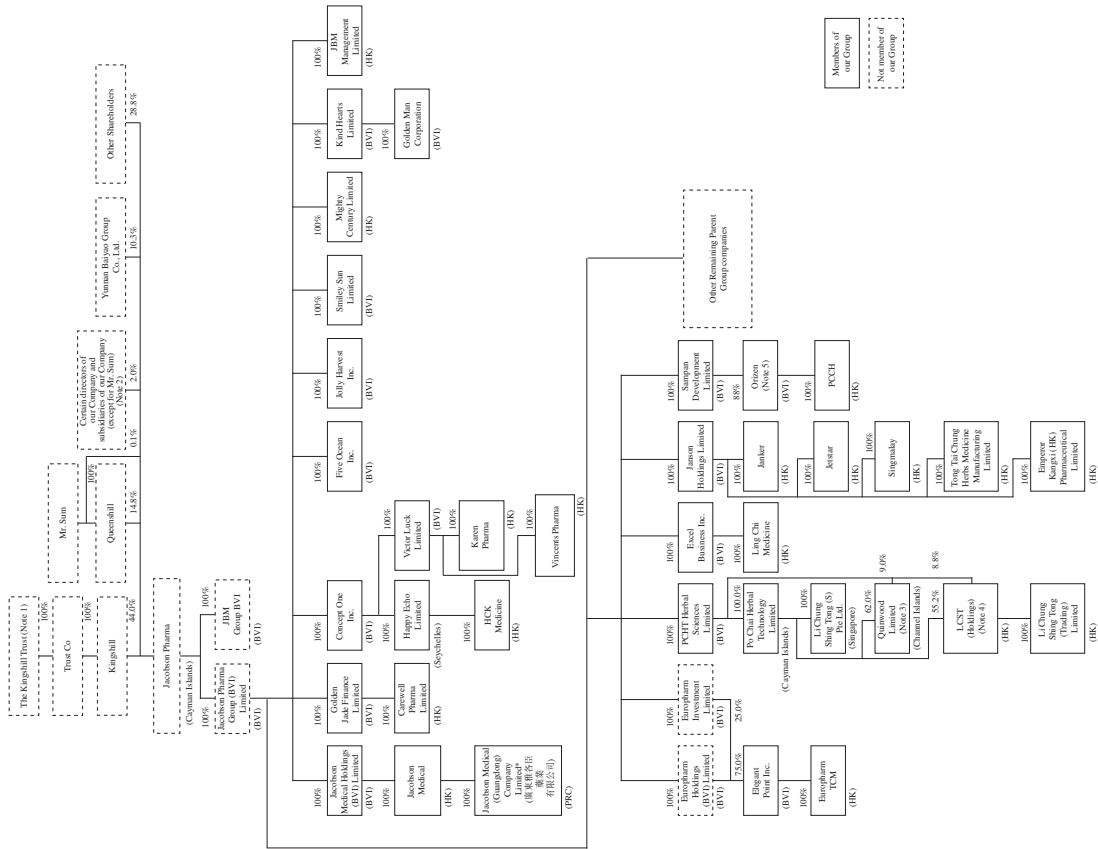
As part of our Reorganization, on July 30, 2020, we acquired an additional 10% of the issued shares of Orizen from Ms. Yang, who became a shareholder of the abovementioned second vendor in December 2018 and subsequently became a direct shareholder of Orizen in September 2019. For further information, see the section headed “— Reorganization” below.

The acquisition of the Orizen Group represented a compelling opportunity for our Group to expand our proprietary Chinese medicine offerings to include CCMG products and its customer base to Chinese medicine practitioners in Hong Kong.

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REORGANIZATION

The following chart illustrates the corporate and shareholding structure of (i) our Group and (ii) the Remaining Parent Group immediately before commencement of the Reorganization:



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Notes:

- (1) Kingshill is wholly-owned by Trust Co under The Kingshill Trust, a discretionary trust established by Mr. Sum (as the settlor) with Mr. Sum and his family members as the discretionary beneficiaries.
- (2) Includes four Directors, namely Wong Yat Wai, Patrick, Dr. Chu Ka Wing, Yim Chun Leung and Yeung Kwok Chun, Harry, and three directors of our Group at subsidiary level, namely Ms, Yang, Lee Karen and Wong Ka Kin, Andy.
- (3) Quinwood Limited was owned as to 8%, 9%, 4% and 8% by Lee Karen, Lee Kui Nang Solomon, Li Tai Sang Albert and Lee Cheung Nang Alfred respectively, each an Independent Third Party, save as Lee Karen being a director of our Group at subsidiary level.
- (4) LCST (Holdings) was owned as to 9.6%, 8.8%, 4.8%, 8.0%, 2.8% and 2% by Lee Cheung Nang Alfred, Lee Kui Nang Solomon, Li Tai Sang Albert, Leung Chi Kin, Lee Karen and Lee Karen & Leung Chi Kin respectively, each an Independent Third Party, save as Lee Karen being a director of our Group at subsidiary level.
- (5) Orizen was owned as to 10% and 2% by Ms. Yang, a director of our Group at subsidiary level, and Mr. Law, an Independent Third Party, respectively.

In preparation for the Listing, our Group underwent a number of Reorganization steps as summarized below:

Incorporation of our Company, JBM BVI and JBM PCM

Prior to the Reorganization, our business was conducted through and operated under the PCM Companies and Non-PCM Companies and their respective subsidiaries. As part of our Reorganization, our Company was incorporated in the Cayman Islands on January 7, 2020 to become the holding company of our Group. In addition, JBM BVI and JBM PCM were incorporated as subsidiaries of our Company in the BVI on January 15, 2020 and February 12, 2020, respectively, to become the holding company of the Non-PCM Companies and PCM Companies, respectively.

Transfer of the branded healthcare business

In March 2020, the shareholders (each a subsidiary of Jacobson Pharma) of each of the Non-PCM Companies and the PCM Companies each transferred (i) its entire shareholding interests in each of the Non-PCM Companies to JBM BVI; and (ii) its entire shareholding interests in each of the PCM Companies to JBM PCM (the “**Companies Transfer**”) with the consideration being the book costs of each of the Non-PCM Companies and the PCM Companies respectively.

On March 31, 2020, our Company agreed with JBM Group BVI to capitalize certain amount due to JBM Group BVI (including the consideration of the Companies Transfer) with the allotment and issue of a total of 900,000 Shares to JBM Group BVI.

Capitalization Issue

In preparation for the Jacobson Pharma Distribution, our Company allotted and issued a total of 721,000,000 Shares on July 24, 2020, by way of capitalization of share premium of our Company, to JBM Group BVI. Upon completion of the Capitalization Issue, JBM Group BVI held a total of 722,000,000 Shares.

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Acquisition of minority interest in Orizen

On July 27, 2020, our Company, Sampan and Ms. Yang (a minority shareholder of Orizen and a director of our Group at subsidiary level) entered into a share purchase agreement pursuant to which Sampan agreed to purchase a total of 10 shares, representing 10% of the total number of shares issued by Orizen, from Ms. Yang at the consideration of HK\$30 million. The consideration was determined at arm's length negotiations with reference to (i) the future growth prospect and strategic development of the Chinese medicine business of the Orizen Group and (ii) the historical financial performance of the Orizen Group and was fully settled by the issuance and allotment of 30,000,000 consideration Shares by our Company to Ms. Yang on July 30, 2020 at the price of HK\$1.00 per Share. The allotment price was based on the same subscription price per Share and the same valuation of which the Share Subscription was made by the Strategic Investors. Upon completion of the acquisition, Ms. Yang ceased to be a shareholder of Orizen but remained a director of our Group at subsidiary level.

SHARE SUBSCRIPTION BY STRATEGIC INVESTORS

On July 27, 2020, the Strategic Investors, JBM Group BVI and our Company entered into the Subscription Agreements, pursuant to which our Company agreed to issue a total of 97,000,000 Shares to the Strategic Investors for an aggregate consideration of HK\$97 million, representing a subscription price of HK\$1.00 per Share. The subscription price for the Share Subscription was determined at arm's length negotiations with reference to the business valuation of our Group prepared by an independent professional valuer based on the market approach. The Share Subscription was completed and the consideration for the Share Subscription was fully and irrevocably settled by July 30, 2020.

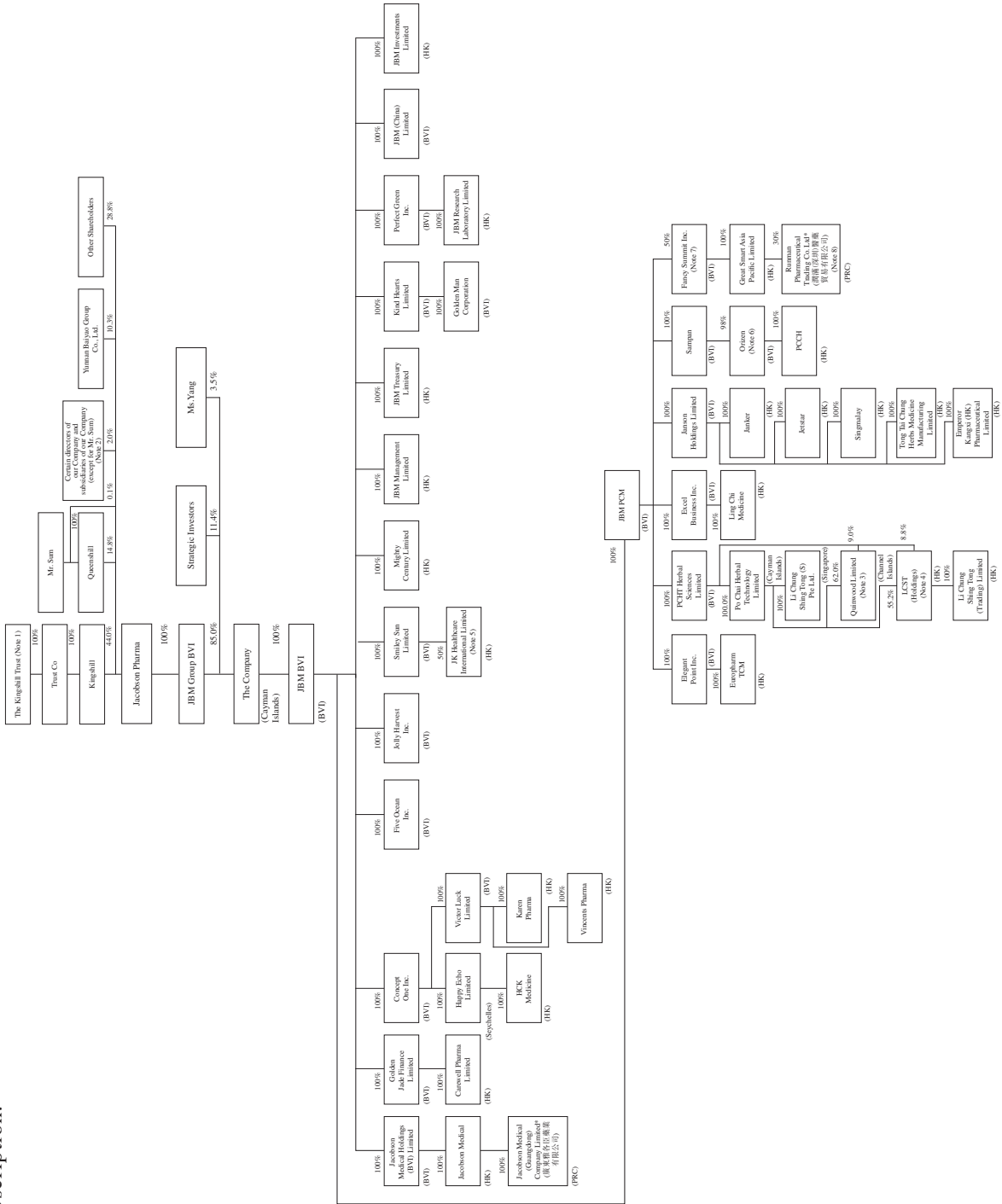
Immediately after completion of the Share Subscription, our Company's shareholding structure was as follows:

Shareholder	Numbers of shares held in our Company	Shareholding percentage (approximate)
JBM Group BVI	722,000,000	85.0%
Ms. Yang	30,000,000	3.5%
New Heritage Healthcare Limited	42,000,000	4.9%
Gold Century Assets Limited	35,000,000	4.1%
Profit Cape Limited	20,000,000	2.4%
Total	849,000,000	100.00%

For further details of the Share Subscription, see the section headed “— Pre-IPO Investments” below.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The following chart illustrates the corporate and shareholding structure of our Group immediately after completion of the Reorganization and the Share Subscription:



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

- (1) Kingshill is wholly-owned by Trust Co under The Kingshill Trust, a discretionary trust established by Mr. Sum (as the settlor) with Mr. Sum and his family members as the discretionary beneficiaries.
- (2) Includes five Directors, namely Wong Yat Wai, Patrick, Dr. Chu Ka Wing, Yim Chun Leung, Yeung Kwok Chun, Harry and Chan Kam Chiu, Simon, and three directors of our Group at subsidiary level, namely Ms. Yang, Lee Karen and Wong Ka Kin, Andy.
- (3) Quinwood Limited is owned as to 8%, 9%, 4% and 8% by Lee Karen, Lee Kui Nang Solomon, Li Tai Sang Albert and Lee Cheung Nang Alfred respectively, each an Independent Third Party, save as Lee Karen being a director of our Group at subsidiary level.
- (4) LCST (Holdings) is owned as to 9.6%, 8.8%, 4.8%, 8.0%, 2.8% and 2% by Lee Cheung Nang Alfred, Lee Kui Nang Solomon, Li Tai Sang Albert, Leung Chi Kin, Lee Karen and Lee Karen & Leung Chi Kin respectively, each an Independent Third Party, save as Lee Karen being a director of our Group at subsidiary level.
- (5) JK Healthcare International Limited is a jointly-controlled entity (but not a subsidiary) of the Company. The remaining 50% of the shareholding interests in JK Healthcare International Limited is owned by Kin Fung Weisen-U Company Limited, which in turn is wholly-owned by Gold Century Assets Limited, one of the Strategic Investors. Each of Gold Century Assets Limited and Kin Fung Weisen-U Company Limited is an Independent Third Party.
- (6) Orizen is owned as to 2% by Mr. Law, an Independent Third Party.
- (7) Fancy Summit Inc. is a jointly-controlled entity (but not a subsidiary) of the Company. The remaining 50% of the shareholding interests in Fancy Summit Inc. is owned by Fame Bloom Trading Limited, a wholly-owned subsidiary of Tycoon Group Holdings Limited (stock code: 3390), our Hong Kong Distributor (and the parent company of one of our Strategic Investors, Profit Cape Limited). Fame Bloom Trading Limited is an Independent Third Party.
- (8) Runman Pharmaceutical Trading Co., Ltd. is ultimately owned as to 70% by a renowned PRC state-owned conglomerate (with an international business foothold as well as listed subsidiaries in both Hong Kong and China), an Independent Third Party.

THE JACOBSON PHARMA DISTRIBUTION AND THE PUBLIC OFFER

Subject to the Public Offer becoming unconditional and assuming the shareholding of Jacobson Pharma as of the Latest Practicable Date remains unchanged on the Record Date, 241,777,625 Shares held by JBM Group BVI will be the subject of the Jacobson Pharma Distribution, which shall be distributed to (i) the Qualifying Jacobson Pharma Shareholders on the basis of one Share for every eight Jacobson Pharma Shares held as of the Record Date; and (ii) a nominee selected by the board of directors of Jacobson Pharma who will sell such Shares for and on behalf of the Non-Qualifying Jacobson Pharma Shareholders. For details of the Jacobson Pharma Distribution, see the section headed “Jacobson Pharma Distribution and the Spin-off.”

Immediately after completion of the Jacobson Pharma Distribution and the Public Offer, our Company’s shareholding structure (assuming the shareholding of Jacobson Pharma as of the Latest Practicable Date remains unchanged on the Record Date) will be as follows:

Shareholder	Numbers of shares held in our Company	Shareholding percentage (approximate)
JBM Group BVI	480,222,375	53.7%
Lincoln’s Hill ⁽¹⁾	106,335,500	11.9%
Queenshill	35,786,500	4.0%
Mr. Sum	250,000	0.03%
Ms. Yang ⁽²⁾	30,237,500	3.4%
Directors of our Company and our subsidiaries (Other than Mr. Sum and Ms. Yang)	4,659,250	0.5%
<i>Public Shareholders</i>		
New Heritage Healthcare Limited ⁽³⁾	46,166,875	5.2%
Gold Century Assets Limited	35,000,000	3.9%
Profit Cape Limited	20,000,000	2.2%
Other Public Shareholders	135,028,000	15.1%
Total	893,686,000	100%

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Note:

- (1) Pursuant to the Jacobson Pharma Distribution, Kingshill is entitled to receive 106,335,500 Shares. Kingshill will nominate Lincoln's Hill (a fellow subsidiary under Trust Co) to receive the 106,335,500 Shares entitled by Kingshill under the Jacobson Pharma Distribution for the purpose of trust asset management of the Kingshill Trust.
- (2) As of the Latest Practicable Date, Ms. Yang held a total of 1,900,000 Jacobson Pharma Shares and is therefore entitled to receive 237,500 Shares pursuant to the Jacobson Pharma Distribution.
- (3) As of the Latest Practicable Date, New Heritage Healthcare Limited held a total of 33,335,000 Jacobson Pharma Shares and is therefore entitled to receive 4,166,875 Shares pursuant to the Jacobson Pharma Distribution.

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Notes:

- (1) Lincoln's Hill is wholly-owned by Trust Co under The Kingshill Trust, a discretionary trust established by Mr. Sum (as the settlor) with Mr. Sum and his family members as the discretionary beneficiaries.
- (2) Pursuant to the Jacobson Pharma Distribution, Kingshill is entitled to receive 106,335,500 Shares. Kingshill will nominate Lincoln's Hill (a fellow subsidiary under Trust Co) to receive the 106,335,500 Shares entitled by Kingshill under the Jacobson Pharma Distribution for the purpose of trust asset management of the Kingshill Trust.
- (3) Includes five Directors, namely Wong Yat Wai, Patrick, Dr. Chu Ka Wing, Yim Chun Leung, Yeung Kwok Chun, Harry and Chan Kam Chiu, Simon, and two directors of our Group at subsidiary level, namely Lee Karen and Wong Ka Kin, Andy.
- (4) Quinwood Limited is owned as to 8%, 9%, 4% and 8% by Lee Karen, Lee Kui Nang Solomon, Li Tai Sang Albert and Lee Cheung Nang Alfred respectively, each an Independent Third Party, save as Lee Karen being a director of our Group at subsidiary level.
- (5) LCST (Holdings) is owned as to 9.6%, 8.8%, 4.8%, 8.0%, 2.8% and 2% by Lee Cheung Nang Alfred, Lee Kui Nang Solomon, Li Tai Sang Albert, Leung Chi Kin, Lee Karen and Lee Karen & Leung Chi Kin respectively, each an Independent Third Party, save as Lee Karen being a director of our Group at subsidiary level.
- (6) JK Healthcare International Limited is a jointly-controlled entity (but not a subsidiary) of the Company. The remaining 50% of the shareholding interests in JK Healthcare International Limited is owned by Kin Fung Weisen-U Company Limited, which in turn is wholly-owned by Gold Century Assets Limited, one of the Strategic Investors. Each of Gold Century Assets Limited and Kin Fung Weisen-U Company Limited is an Independent Third Party.
- (7) Orizen is owned as to 2% by Mr. Law, an Independent Third Party.
- (8) Fancy Summit Inc. is a jointly-controlled entity (but not a subsidiary) of the Company. The remaining 50% of the shareholding interests in Fancy Summit Inc. is owned by Fame Bloom Trading Limited, a wholly-owned subsidiary of Tycoon Group Holdings Limited (stock code: 3390), our Hong Kong Distributor (and the parent company of one of our Strategic Investors, Profit Cape Limited). Fame Bloom Trading Limited is an Independent Third Party.
- (9) Runman Pharmaceutical Trading Co., Ltd. is ultimately owned as to 70% by a renowned PRC state-owned conglomerate (with an international business foothold as well as listed subsidiaries in both Hong Kong and China), an Independent Third Party.

PRE-IPO INVESTMENTS

As described in the section headed “— Reorganization” above, on July 27, 2020, the Strategic Investors, JBM Group BVI and our Company entered into the Subscription Agreements, pursuant to which our Company agreed to issue a total of 97,000,000 Shares to the Strategic Investors.

Principal terms of the Pre-IPO Investments

The principal terms of the Pre-IPO Investments are set forth below:

	Share Subscription
Pre-IPO Investors:	Strategic Investors
Date of investment agreements:	July 27, 2020
Date on which the investment was fully and irrevocably settled:	July 30, 2020
Total number of Shares:	97,000,000 Shares
Total consideration:	HK\$97,000,000
Investment cost per Share:	HK\$1.00
Discount to the Offer Price:	16.7%

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Share Subscription

Basis of determining the consideration	Determined at arm's length negotiations with reference to the business valuation of us prepared by an independent professional valuer based on the market approach
Lock-up period:	From completion of the Share Subscription until six months after the Listing
Special rights:	Each Strategic Investor is entitled to a right to put back their respective Subscription Shares to JBM Group BVI at the subscription price under the Subscription Agreements, which is exercisable by the Strategic Investors if Listing does not take place by September 30, 2021. Such right will terminate upon Listing
Use of proceeds from the Pre-IPO Investments:	The proceeds from the Share Subscription were utilized for our general working capital purposes. As of the Latest Practicable Date, all of the proceeds had been utilized.
Strategic benefits:	We are of the view that our Company can benefit from the Share Subscription by receiving additional general working capital, and the investment from Strategic Investors with substantial investment experience demonstrates their confidence in our Group's operation and serves as an endorsement of our Company's strengths and prospects.
Respective shareholding in our Company held by each of the Strategic Investors immediately after the completion of the Public Offer	See the section headed "— The Jacobson Pharma Distribution and the Public Offer" above.

Background of the Strategic Investors

New Heritage Healthcare Limited

New Heritage Healthcare Limited is a company incorporated under the laws of the BVI with limited liability. New Heritage Healthcare Limited is ultimately owned by Richard Tao, Paul Tao and other family members (collectively, the "**Tao Family**"). The Tao Family used to be the controlling shareholder of New Heritage Holdings Ltd. (stock code: 0095), a company listed on the Main Board of the Stock Exchange, before the Tao Family subsequently divested its controlling interests in 2014. The Tao Family has had long term experience in real estate development and investment, and more recently expanded its investment portfolio to technology, healthcare, finance and logistics.

New Heritage Healthcare Limited was one of the cornerstone investors of Jacobson Pharma during its global offering in 2016 and an existing shareholder of Jacobson Pharma.

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Gold Century Assets Limited

Gold Century Assets Limited is a company incorporated under the laws of the BVI with limited liability and is wholly-owned by Lun Hung Gai. Kin Fung Weisen-U Company Limited is wholly-owned by Gold Century Assets Limited and is a joint venture partner of our Group. Kin Fung Weisen-U Company Limited is principally engaged in the development of gastrointestinal and respiratory pharmaceutical drugs and is the brand owner of Weisen-U.

Profit Cape Limited

Profit Cape Limited is a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of Tycoon Group Holdings Limited (stock code: 3390), a company listed on the Stock Exchange engaging in the business of selling and distributing health and well-being related products in Hong Kong, China, Macau and Singapore. Jacobson Pharma is a minority shareholder of Tycoon Group Holdings Limited, our Hong Kong Distributor, which is also the parent company of our joint venture partner in a jointly controlled entity.

Compliance with Interim Guidance and Guidance Letters

The Sole Sponsor confirms that the Pre-IPO Investments are in compliance with the Guidance Letter HKEx-GL29-12 issued in January 2012 and updated in March 2017 by the Stock Exchange, and Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 and in March 2017 by the Stock Exchange.

PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. Except for the Shares held by JBM Group BVI, Lincoln's Hill, Queenshill, Mr. Sum, Ms. Yang and other directors of our Company and our subsidiaries, the Shares held by our other Shareholders (including the Strategic Investors) upon Listing will be counted towards the public float.

PRC REGULATORY REQUIREMENTS

SAFE Circular 37

The SAFE Circular 37, which replaced the former SAFE Circular 75, requires PRC residents to register with local branches of SAFE with regard to their establishment or indirect control of an offshore entity established for the purpose of overseas investment and financing. SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to, among others, the special purpose vehicle, the domestic individual resident shareholder, operating period, capital and merger or division events. As of the Latest Practicable Date, our Controlling Shareholder, JBM Group BVI, is not a PRC resident required to conduct registration pursuant to the requirement of SAFE Circular 37.