Cultivating Brands • Embracing Technological Advancement

Illustration by Rosanna Tasker

JACOBSON PHARMA CORPORATION LIMITED

Incorporated under the laws of the Cayman Islands with limited liability
Stock Code : 2633

Jacobson Pharma Corporation

Annual Report 2017

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Sum Kwong Yip, Derek
(Chairman and Chief Executive Officer)
Mr. Yim Chun Leung
Ms. Pun Yue Wai

Non-executive Director
Professor Lam Sing Kwong, Simon

Independent Non-executive Directors
Dr. Lam Kwing Tong, Alan
Professor Chow Hee Lum, Albert
Mr. Young Chun Man, Kenneth

AUDIT COMMITTEE

Mr. Young Chun Man, Kenneth (Chairman)
Dr. Lam Kwing Tong, Alan
Professor Chow Hee Lum, Albert

REMUNERATION COMMITTEE

Dr. Lam Kwing Tong, Alan (Chairman)
Mr. Young Chun Man, Kenneth
Ms. Pun Yue Wai

NOMINATION COMMITTEE

Professor Chow Hee Lum, Albert (Chairman)
Dr. Lam Kwing Tong, Alan
Mr. Young Chun Man, Kenneth
Mr. Yim Chun Leung

AUTHORISED REPRESENTATIVES

Mr. Yim Chun Leung
Mr. Wong Wai Ming

COMPANY SECRETARY

Mr. Wong Wai Ming

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

CORPORATE HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2313-18, 23/F
Tower 1, Millennium City 1
388 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

HONG KONG LEGAL ADVISOR

Shearman & Sterling

AUDITOR

KPMG

COMPLIANCE ADVISOR

Altus Capital Limited

PRINCIPAL BANKERS

Standard Chartered Bank
The Hongkong and Shanghai Banking Corporation Limited
China Construction Bank (Asia) Corporation Ltd.

PUBLIC RELATIONS CONSULTANT

Strategic Public Relations Group

STOCK CODE

2633

COMPANY WEBSITE

www.jacobsonpharma.com

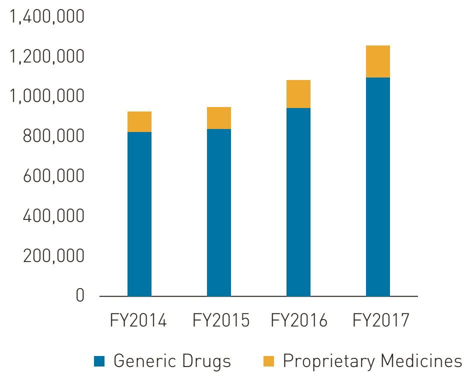
LISTING DATE

21 September 2016

FINANCIAL HIGHLIGHTS

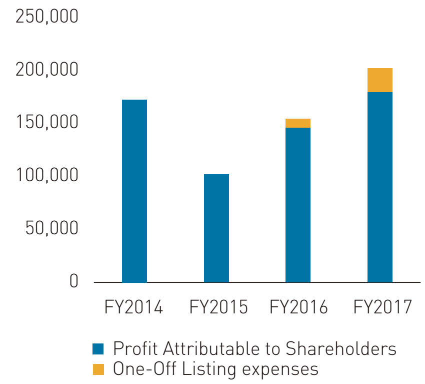
Revenue

(HK$'000)



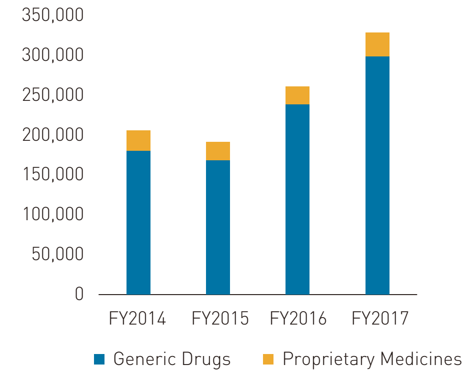
Adjusted Profit Attributable to Shareholders

(HK$'000)



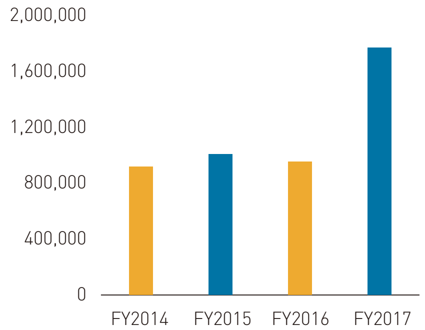
Adjusted EBITDA

(HK$'000)



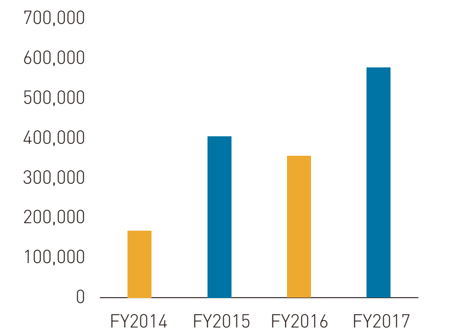
Net Assets

(HK$'000)

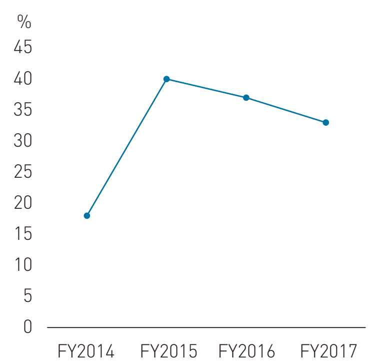


Net Debts

(HK$'000)



Net Gearing Ratio



	Year ended 31 March 2017 HK$'000	Year ended 31 March 2016 HK$'000	Change
Revenue			
– Generic Drugs	1,097,574	944,753	+16.2%
– Proprietary Medicines	158,383	139,103	+13.9%
Total	1,255,957	1,083,856	+15.9%
Gross profit	556,888	487,755	+14.2%
Gross profit margin (%)	44.3%	45.0%	
Profit attributable to shareholders of the Company	179,328	145,610	+23.2%
Profit margin attributable to shareholders of the Company (%)	14.3%	13.4%	
Adjusted EBITDA (1)	328,918	261,197	+25.9%
Adjusted EBITDA margin (%) (2)	26.2%	24.1%	
Return on equity (%) (3)	13.3%	15.6%	

	As at 31 March 2017 HK$'000	As at 31 March 2016 HK$'000	Change
Total assets	2,970,067	1,822,050	+63.0%
Total liabilities	1,197,749	865,905	+38.3%
Total equity	1,772,318	956,145	+85.4%

(1) Adjusted EBITDA is calculated based on adjusted earnings before interest, taxes, depreciation and amortisation, where "interest" is regarded as including interest income and interest expenses and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA the Group's earnings are further adjusted for non-recurring items not attributable to the operations of individual segments.

(2) Adjusted EBITDA margin is calculated based on adjusted EBITDA divided by revenue and multiplied by 100%.

(3) Return on equity is calculated based on profit for the year divided by the arithmetic mean of the opening and closing balances of total equity in the relevant year and multiplied by 100%.

LETTER TO SHAREHOLDERS

Dear Shareholders,

In the financial year ended 31 March 2017, Jacobson continued to strengthen its business in both generic drugs and proprietary medicines, accelerated the product development in its pipeline and further consolidated its operation excellence. Our missions are to create sustainable values, enhance the community in which we operate and build shareholder values in what we do. We have adopted a persistent strategic approach to help us navigate through the growth path.

The strategic framework comprises three main components:

- attain organic growth by maximising the potential of the current product portfolios, focusing on sales and marketing excellence and harnessing the growing availability of sales data to develop an effective target marketing;
- build an expandable platform of proprietary brands that gives us a steadily growing revenue stream and a broadened geographical reach to new markets along with the latent potential for further line extensions; and
- pursue product differentiation through carefully-orchestrated R&D activities, create specialised formulations that give us the edge to compete and expand our market shares via brand building.

"... The strategic framework comprises of three main components which are attaining organic growth by maximizing the potential of the current product portfolios; building an expandable platform of proprietary brands that gives us a steadily growing revenue stream; and pursuing product differentiation through carefully-orchestrated R&D activities..."

This strategic approach enables us to deliver well on both business and functional capabilities. Our revenues and adjusted profit attributable to shareholders of HK$1,256.0 million and HK$201.9 million rose by 15.9% and 30.7% respectively versus same period last year, reflecting a robust performance of the generic drugs business, thanks to the strong sales of respiratory and cardiovascular products which saw a growth of 34% and 28% in sales respectively. Specialised dosage forms including suppository and enema also put in a strong performance displaying a growth of 37% over same period last year. On the Proprietary Medicines front, Po Chai Pills witnessed a steady growing trend via making in-roads into the burgeoning China market along with an expanding market presence. The acquisitions of renowned brands namely Ho Chai Kung and Shiling Oil helped bulk up our over-the-counter ("OTC") offerings and win us a presence in a number of new markets.

Our commitment to new product development and advancing research and technology continues to deliver promising results. Our new R&D center, being located in the campus of Chinese University of Hong Kong has commenced its operation since November 2016. It provides a platform for us to develop manufacturing technologies and to explore scientific collaboration with other research institutions. The project on real time monitoring and end-point determination of pharmaceutical powder blending using near infrared spectroscopic ("NIRS") technology has gone on with a head start with an approved funding from the Innovation and Technology Fund. Another project on dry powder coating technology has also been progressing steadily. This platform technology aims to use a patented electrostatic coating technique to develop the formulation for a number of premium generics.

It is note-worthy to mention that our collaboration research project with NAMI has yielded an encouraging result and received the accolade of Gold Medal Award at the 45th International Exhibition of Inventions recently held in Geneva. A product, trade-marked as "NanoAZD", has been successfully commercialised from this research project along with a filing of patent application. Application of this diagnostic technology could lead to development of potential products that cater for early intervention of Alzheimer's disease.

We believe all these developments will place the Group in a sound position to seize both organic and strategic growth opportunities that lie ahead.

Prospect

What does it take for us to sustain our leadership position in the changing terrain of generic drugs domestically? A question that our management team has remained vigilant at all times to deal with. Making the fundamentals right is crucial, which includes maintaining a broad portfolio, introducing new and updated products and entering early with off-patent molecules, whilst other steps are imperative. To remain competitive, we must be well geared up to build a portfolio of strong product brands and ramp up the sophistication of our sales and marketing operations.

Cultivating strong brands is a key factor of success in a market in flux. In my view, a strong product brand can even overpower a first-mover advantage. We are poised to leverage our current premier positions of popular brands like Po Chai Pills, Ho Chai Kung and Contractubex, realign the marketing resources and create a dedicated brand management team to share expertise better and ensure an optimal resources allocation. The ultimate goal is to build a portfolio of proprietary medicine brands that offers a robust sales revenue stream not only in Hong Kong and China but also in other strategic markets in Asia Pacific.

"… Cultivating strong brands is a key factor of success in a market in flux. In my view, a strong brand can even overpower a first –mover advantage. We are poised to leverage our current premier positions of popular brands like Pochai Pill, Ho Chai Kung and Contractubex, realign our marketing resources and establish a dedicated brand management team to better share expertise and ensure optimal resources allocation…"

Our strategic focus on developing premium and difficult-to-make generics continues to yield nice dividends. A number of clinically-substantiated products under the therapeutic categories of anti-viral, cardiovascular and gastro-intestinal have been approved for marketing in FY2017. I am pleased to report that we have already secured contracts covering products like Losartan Potassium, Mesalazine enteric-coated tablet, Ursodeoxycholic Acid capsule and Bisacodyl suppository. As part of our on-going effort to realise the full potential of our premium generic products, we target to launch our branded generic equivalents of blockbuster drugs including Entecavir, Rosuvastatin and Celecoxib in FY2018. Along with our pre-eminent position and excellent track-record in the Public Sector, we are confident that the strategy of building premium generics will be working to our advantage.

As to our proprietary medicines, the drives for expanding the presence of Puji Pills in China have gone underway with our distributors namely Yunnan Baiyao Group Co., Limited and Zhuhai Jinming Medicine Co., Limited. We remain positive that the strategic partnerships with these two reputable distributors, both of which have extensive experiences and networks to sell proprietary medicines, will put us in a good position to exploit the OTC sales potential of Puji Pills in China.

"…… Our strategic focus on developing premium and difficult-to-make generics continues to yield nice dividend. A number of clinically-substantiated products under the categories of anti-viral, cardiovascular and gastro-intestinal have been approved for marketing in FY 2017…"

Whilst progress is being made to expand our business presence in neighboring markets such as China and Macau, tremendous amount of efforts are also being undertaken to explore market potential and forge collaborative alliance in certain strategically-selected markets in Asia. We are determined to execute our business expansion plans in Asia and hope to be able to report tangible progress to our shareholders in the second half of FY2018.

Whilst we have seen a solid and robust performance in FY2017, we are equally excited about the growth and development opportunities that lie ahead.

Appreciation

I would like to thank our staff and fellow directors for their dedication and you, our shareholders, for your continued confidence in the future of our company.

Final Dividend

The Board recommends to declare a final dividend of HK1.4 cents per share for the FY2017 (2016: not applicable), subject to the approval of shareholders at the forthcoming annual general meeting of the Company to be held on 8 September 2017 (Friday), which is expected to be paid on 28 September 2017 (Thursday) to shareholders whose names appear on the register of members of the Company on 15 September 2017 (Friday), being the record date for determining shareholders' entitlement to the proposed final dividend. Including the interim dividend of HK0.8 cent per share paid on 20 January 2017, the total dividend for the FY2017 amounts to HK2.2 cents per share (2016: not applicable).

Sincerely,

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

Hong Kong, 23 June 2017

CORPORATE VISION AND MISSION

OUR VISION

At Jacobson, we aspire to be a leading company in generic drugs and proprietary medicines in Asia Pacific and beyond.

OUR MISSION

We strive to create sustainable values that meet current and future customer needs through carefully-orchestrated investment in R&D.

We enhance the communities in which we operate.

We build shareholder values in all we do.

OUR CULTURE

Three core components i.e. Challenge, Connect, Commit unite our corporate culture and values that define how we act and what we do:

Challenge

We proactively venture into uncharted turf for exploring opportunities. We go extra-mile for attaining excellence via innovative solutions.

Connect

We work cohesively as one company one team to create and share best practices. We connect local knowledge with global resources.

Commit

We deliver on what we promise. We do not compromise on quality and integrity.

CORPORATE PROFILE

The Group is the largest generic drugs company in Hong Kong representing over 30% share of the total generic drugs market in Hong Kong for each year since 2012. In terms of revenue, the Group was larger than that of the next two providers combined in 2015. For each year since 2012, the Group has been the largest provider of generic drugs to the Public Sector in Hong Kong, accounting for over 70% of their annual purchase of generic drugs for each respective year. The Group is also the largest provider of generic drugs in Hong Kong in the Private Sector with over 20% share in revenue term. [Note] The Group achieved its pre-eminent market position as a result of its leadership in a number of therapeutic categories, as well as in distribution, product development and drug manufacturing.

The Group's proprietary medicines portfolio currently comprises brands including Po Chai Pills (保濟丸), Ho Chai Kung Tji Thung San (何濟公止痛退熱散), Tong Tai Chung Woodlok Oil (唐太宗活絡油), Flying Eagle Woodlok Oil (飛鷹活絡油), Saplingtan (十靈丹), Shiling Oil (十靈油) and Col-gan Tablet (傷風克). All these brands carry a high recognition amongst the consumers and enjoy a strong market position thus creating sustainable synergies for marketing and distribution resources under the management of the Group.

COMPETITIVE STRENGTHS

- **Leadership in a diverse range of generic drugs and the overall generic drugs market in Hong Kong**

  Over a long and successful track record, we have built a comprehensive product portfolio, including respiratory, cardiovascular, central nervous system, gastrointestinal, scar treatment and oral anti-diabetics. Being the largest generic drugs company in Hong Kong and by leveraging on such pre-eminent platform, we have also cemented our position as the leader in a number of large and fast-growing therapeutic categories in the Hong Kong pharmaceutical market.

- **Highly recognised and widely carried proprietary medicines**

  We own, manufacture and distribute a portfolio of leading proprietary medicines. Based on our deep familiarity with the market, strong technical support and disciplined brand management, we have been able to grow revenues, enhance manufacturing capabilities and increase market coverage for the proprietary medicine brands we have acquired.

Note: source: Frost & Sullivan (Beijing) Inc, Shanghai Branch Co.

- **Leading research and development capabilities that can develop premium generic drugs to fulfill unmet demands**

  We are the leading pharmaceutical research and development company in Hong Kong among generic drugs manufacturers in terms of number of new drugs registered in the past few years. We have been able to identify products with good potential based on our strong relationships with customers and deep market insight. We are the only generic drugs supplier with active and on-going production activities in a number of pharmaceutical dosage forms in Hong Kong, including suppositories, enemas, sterile eye drops and injectables.

- **Well-established sales and distribution network covering substantially all sectors of the market**

  We have extensive market penetration, covering substantially all of the Public and Private Sector institutions and registered pharmacies, as well as over 1,000 doctors in private practice. Our deep industry knowledge, extensive sales network and close interactions with market participants enable us to gather significant feedback, relevant market intelligence and data on industry trends for further strengthening our product development strategies and identifying business opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS

The new PIC/S accredited manufacturing facilities of Synco (H.K.) Limited at Tai Po Industrial Estate commenced operation in September 2016

BUSINESS REVIEW

GENERIC DRUGS

During FY2017, the revenue from Generic Drugs of the Group accounted for HK$1,097.6 million, representing an increase of 16.2% as compared to FY2016. The revenue growth of our generics segment was attributed to our expanded sales and customer base in both public and private sectors and the enhanced production capacity of our new manufacturing plants. The revenue from Public Sector registered a growth of 13.6% to HK$344.7 million, mainly attributed to commencement of supply of new tenders during the financial year and increase in demand of current contractual supplies to various hospitals, whilst the revenue from Private Sector posted a 17.4% growth to HK$752.9 million attributable to the increase in market shares along with materialisation of sales from newly launched products.

Sub-sector markets, such as those for cardiovascular and central nervous system treatments, are forecast with a continual growth supported by demographic changes. Common drug classes indicated for cardiovascular conditions including beta blockers, calcium channel antagonists, angiotensin-converting-enzyme inhibitors, angiotensin II antagonists, along with the increasing usage of statins will play a significant role in the product mix. With the Group's strong market position in a number of therapeutic categories, our revenue of cardiovascular drugs saw a relatively strong growth of 27.9% to HK$135.3 million in FY2017 compared to HK$105.8 million for the corresponding period in FY2016.

The Group also aims to replicate this successful business model in China and Macau by leveraging its pre-eminent position and comprehensive product portfolio in Hong Kong, In Macau, we have set up a sales office in December 2016 gearing up to leverage our sales and marketing experience to sell both generic drugs and proprietary medicines via our own on-the-ground sales force. We will continue to expand our product offerings and broaden our sales coverage so as to maximise sales potential of the market.

Production Capability to Meet Market Demand

To cope with the growth in demand, our new manufacturing facilities of which we started design and construction back in 2013 have been granted the official manufacturing license to operate in September 2016. This PIC/S accredited new manufacturing plant, being equipped with state-of-the-art equipment and advanced production machinery, provides a platform for efficient and high volume production. It will greatly enhance the Group's production capacity by over 130% and 40% for solid and liquid dosage forms respectively.

During FY2017, all of our manufacturing units were operating effectively with a steady rise on production output. There were over 2,608 million of tablets and capsules, over 2,719 thousands litres of oral liquid and over 217 tonnes of cream products produced, representing a respective increase of 20.4%, 25.6% and 33.8% versus FY2016.

We are the only generic drugs supplier with active and on-going production activities in a number of pharmaceutical dosage forms in Hong Kong, including sterile eye drops, suppositories, enemas and injectables. Our new PIC/S compliant sterile eye-drop production facilities have been granted approval and put into operation, produced an output of around 1.5 million bottles of eye-drop products for the market since the commencement of operation in October 2016. These new facilities will augment an increase of over 100% to the sterile eye-drop production capacity of the Group.

Oral liquid dosage
(syrup/suspension)
automated filling line

High precision automated tablet and capsule blister machine

During FY2017, our newly acquired businesses, Medipharma and Karen Pharmaceutical Company Limited, with independent production facilities in various dosage forms have also enhanced our overall production capability by providing immediate support in the manufacture and supply of a diversified category of products to cope with the Group's business development. Medipharma, for instance, has contributed 9.0% and 6.9% of the Group's total output of semi-solid dosage form and liquid dosage form respectively since its integration in our production system in November 2016.

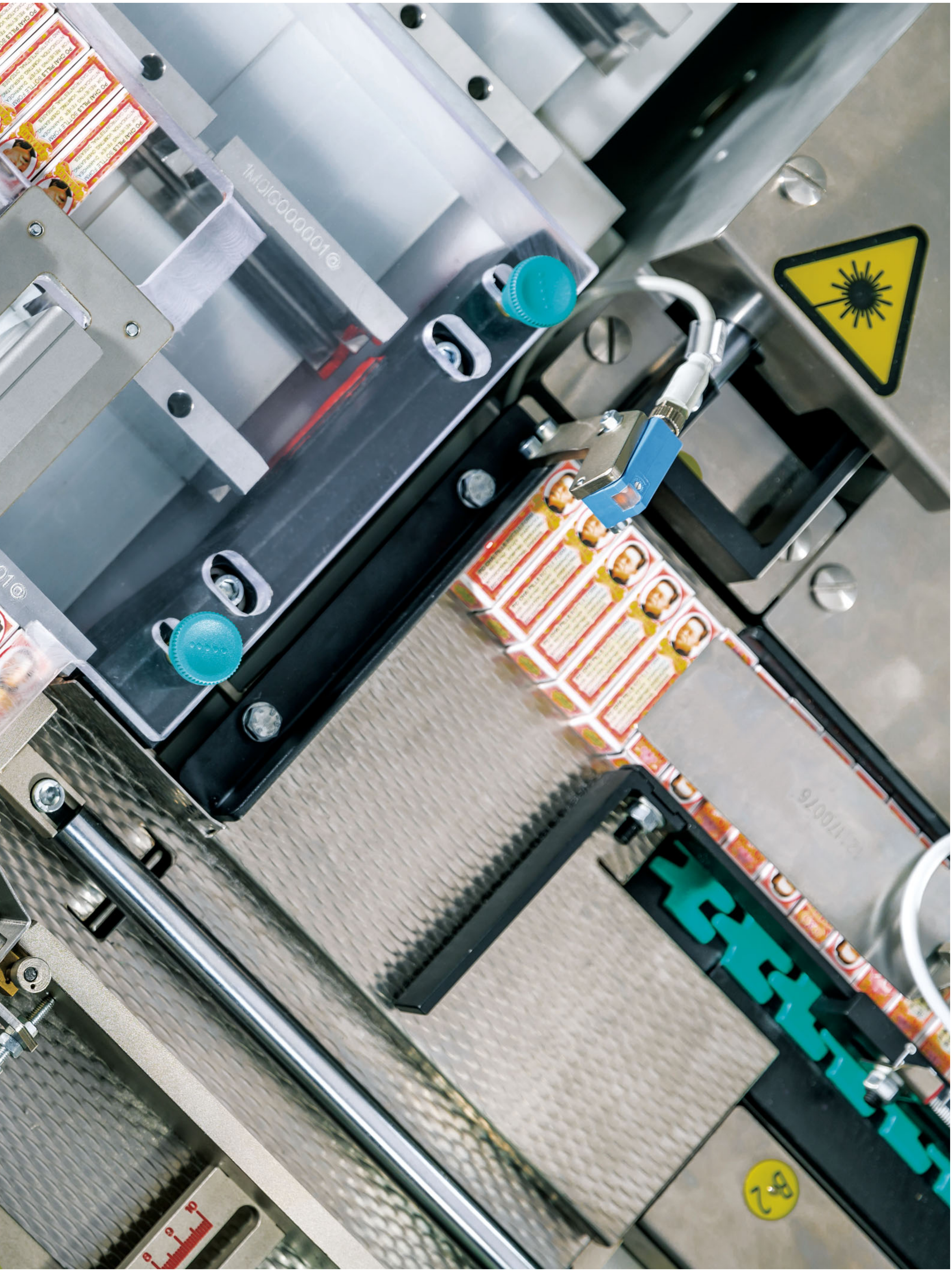
Benefited from the additions of production facilities above, we will be able to achieve a sufficient production capacity to effectively support our foreseeable business growth in the coming few years. Moreover, with the economies of scale we leverage upon for continual optimisation of manufacturing planning and process among our established facilities, we will be able further improve our operation efficiency and cost further.

Marketing and Sales

On the continued enhancement of our sales capability and operational excellence, we have embarked on a project of establishing an advanced mobile customer relationship management ("CRM") system that is designed to transform our strengths in connecting with, identifying opportunities to help and serve our customers with increased efficiency, simplicity, integration, and visibility.

The first phase of this project is targeted to be completed in the fourth quarter of 2017 under our implementation planning. Backed by cloud computing technology, this state-of-the-art CRM system will empower sales, marketing, and support teams to work in sync and visualise sales and customer data with more width and breadth to substantially increase sales effectiveness and productivity.

Sophisticated 2x5 stacking units mimicking the complex hand movements in automated packaging



Newly introduced automated packaging facilities at Po Chai Pills manufacturing plant

PROPRIETARY MEDICINES

The Group is committed to the strategy of building a proprietary medicine portfolio with regional recognition and an expandable sales platform to penetrate further into the OTC drug markets in Hong Kong, China and other strategically selected markets in Asia Pacific.

During FY2017, the Group has undertaken a number of strategic acquisitions on well-known household proprietary medicine brands with a wide geographical presence in the Asian region.

Strategic Acquisitions

In January 2017, we acquired the heritage brand Ho Chai Kung (何濟公). This acquisition offers a wide range of branded medicines under the Ho Chai Kung franchise in the OTC channel. Notable ones include Ho Chai Kung Tji Thung San (何濟公止痛退熱散) and Ho Chai Kung Analgesic Tablets (何濟公止痛退熱片). The brand name of Ho Chai Kung was originated in the 1930's and has been enjoying a high brand awareness and a strong market position in the analgesics (pain-killer) category in Hong Kong, China and South-East Asia markets. It opens a new set of opportunities for the Group to expand its geographical reach and distribution network by leveraging its already strong market presence in the proprietary medicine portfolio. Ho Chai Kung has a prestigious brand reputation and a long heritage in Hong Kong akin to Po Chai Pills (保濟丸). The Group expects to enhance its financial profile by benefiting upon the earning visibility of the brand and company and to create cost synergies through consolidation of production capacities.

In March 2017, the Group made an acquisition of the household brands of Saplingtan (十靈丹), Shiling Oil (十靈油) and Col-gan Tablet (傷風克). These brand names have been enjoying high brand awareness amongst the Chinese consumers in Hong Kong, China, and various overseas markets. The acquisition reinforces the strategy of the Group to acquire brands and businesses that bring about a sound strategic fit to its long term business development as well as to enhance its geographical reach amongst the key strategic markets in Asia Pacific.

As a result of the acquisitions during FY2017, the Group's proprietary medicine portfolio now comprises brands including Po Chai Pills (保濟丸), Ho Chai Kung Tji Thung San (何濟公止痛退熱散), Tong Tai Chung Woodlok Oil (唐太宗活絡油), Flying Eagle Woodlok Oil (飛鷹活絡油), Saplingtan (十靈丹), Shiling Oil (十靈油) and Col-gan Tablet (傷風克).

All these brands carry a high recognition amongst the consumers and enjoy a strong market position thus creating sustainable synergies for marketing and distribution resources under the management of the Group.

In addition, the Group announced in March 2017 its acquisition of 70% interests in the retail and wholesale operator Hong Ning Hong Group, a strategic move in advancing sales channel for wider distribution of its proprietary medicine brands. Apart from leveraging Hong Ning Hong Group's well established sales and distribution platform to accelerate the growth momentum of our proprietary medicine business and facilitate our penetration into China, through the retail and wholesale activities of Hong Ning Hong Group, we will be able to acquire first-hand market intelligence which is valuable for our capitalising on market opportunities and new product developments.

Marketing and Sales

During FY2017, the total revenue of the Proprietary Medicines segment of the Group amounted to HK$158.4 million, representing an increase of 13.9% as compared with HK$139.1 million for FY2016.

Amidst a considerable slow-down of the overall economy particularly in the retail sector during the Reporting Period, the Group continued to strengthen its drives on brand management, marketing and sales of our proprietary brand medicine business.

The sales of Po Chai Pills in Hong Kong, in particular, amounted to HK$74.2 million for FY2017, posting a 22.3% increase versus FY2016. The growth of Po Chai Pills is attributable to our success in the persistent marketing and brand building efforts on strengthening its competitive positioning as a well-trusted authentic Chinese GI (gastrointestinal) medicine for the family and enhancing its image appeal to the broader and younger consumer groups, coupled with our robust sales and distribution support.

With the newly secured OTC classification status of Puji Pills in China, we have entered into new strategic distribution agreements with two reputable distributors in China in November 2016. A subsidiary of Yunnan Baiyao Group Co., Limited (雲南白藥集團股份有限公司) has been appointed as our distributor of Puji Pills in Yunnan province whilst Zhuhai Jinming Medicine Co., Limited (珠海市金明醫藥有限公司) has also been engaged as our distributor in Guangdong province. The related market and business development activities in collaboration with the distributors have been actively launched. By leveraging the high brand awareness of Po Chai Pills and the extensive network and experience of our distribution partners in China, we are confident that the sales penetration as well as market share of Puji Pills in China will be much enhanced along with a full exploitation of its new OTC status.

On tapping the vast potential of the cross-border e-commerce platform in China with its well-recognised proprietary medicine brands, the Group will devote more resources on digital marketing and foster strategic collaboration with targeted and reputable online sales platform operators to widen its sales channels and product penetrations in mainland China.

Leveraging our portfolio of well-recognised proprietary medicine brands, the Group will strive to expand its product ranges under the brand franchises to enhance its product offerings, broaden its customer bases and deepen its market penetrations into the OTC drug markets in Hong Kong, China and Asia Pacific.

Integrated granulation
production line

Quality control laboratory at Synco (H.K.) Limited comprehensively equipped with advanced testing facilities

PRODUCT DEVELOPMENT

The Group has achieved encouraging progress on its product development program during FY2017, marked by the winning of the Gold Medal Award at the 45th International Exhibition of Inventions of Geneva by one of our on-going collaborative research projects on innovative nanoparticles developed for Alzheimer's disease diagnosis.

During FY2017, we have an addition of 22 newly selected products to our R&D pipeline and successfully registered 11 products in Hong Kong. We also completed the development process for 14 products and submitted them for approval. In additions, 23 products have completed the formulation development process and are currently undergoing stability study, which will be ready for registration filing after the completion of the stability study. As of 31 March 2017, we have a total of 91 products in our research and development pipeline.

R&D COLLABORATIONS

The Group actively explores collaborations with local and overseas research and academic institutions for technology developments. In FY2017, we are making good progress on several collaboration projects with local and overseas R&D institutions and companies.

New Joint R&D Center in HKIB

Jacobson Research Laboratory Limited, the Group's new joint R&D center in HKIB, was established and opened in November 2016. This new research center, well equipped with advanced manufacturing and testing equipment, aims to develop a host of platform technologies on coating and formulation which are to be applied on premium generics and Chinese medicines too. It also aims to forge a platform focus to explore scientific collaboration with local or overseas research institutions on biotechnology products.

Collaboration Project With HKIB

The collaboration project with HKIB on "Real-time Monitoring and End Point Determination of Pharmaceutical Powder Blending in Both R&D and Manufacturing by Near Infrared Spectroscopic (NIRS) Technology" has been accepted and approved by Innovation & Technology Fund. Kick-started in March 2017, this project will develop the technology for the real time quality control of manufacturing process, aiming for the enhancement of product quality and manufacturing process efficiency.

Collaboration With Nano & Advanced Materials Institute Limited (NAMI)

The collaborative research project with NAMI on "Novel Nanoparticles for Pre-clinical Diagnosis for Early Alzheimer Detection and Drug Development" has achieved an encouraging progress and recognition since its launch in June 2016 with the winning of the Gold Medal Award at the 45th International Exhibition of Inventions of Geneva. A newly commercialised product, trademarked as "NanoAZD", is derived from the project and was launched in April 2017, with the patent filed in February 2017.

The innovative product is a nanoparticle which can pass through the blood brain barrier and actively bind to beta-amyloid proteins, the biomarkers for early stage Alzheimer's disease. The technology can detect the biomarkers before the Alzheimer's disease symptom is observed.

Application of this technology also opens up the development of new technologies and derivative products that can cater for the care and management of Alzheimer's disease which is predicted with a drastic increase in prevalence as life expectancy continue to rise.

REMUNERATION POLICY

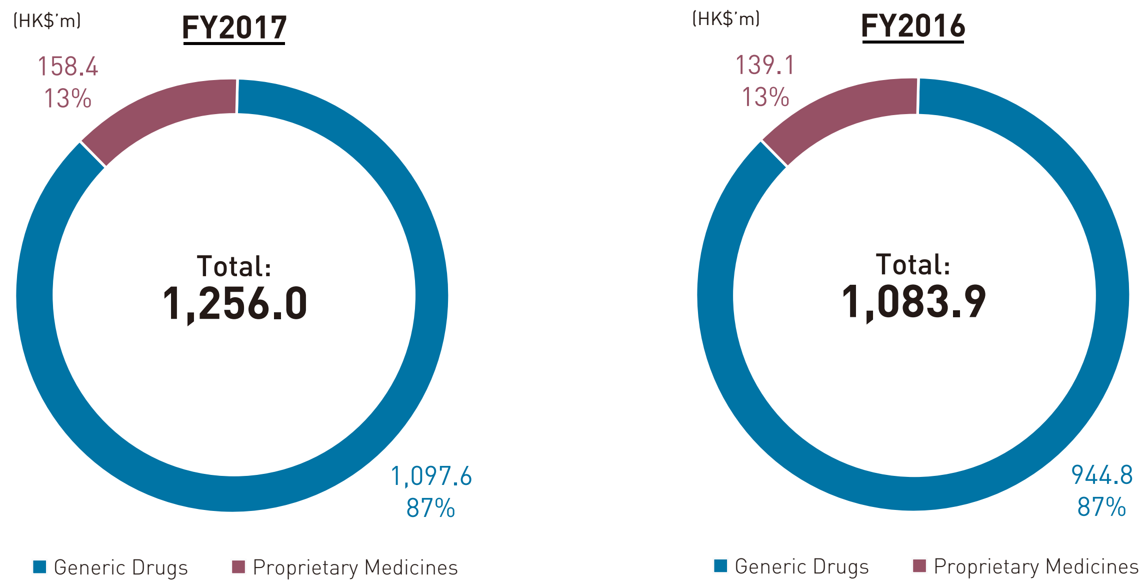
As of 31 March 2017, the Group had a total of 1,839 employees. For the Reporting Period, the total staff cost of the Group was HK$377.9 million as compared to HK$342.9 million for the twelve months ended 31 March 2016. All the Group's employees have entered into standard employment contracts with the Group. Remuneration packages for the Group's employees in general comprise one or more of the following elements: basic salary, productivity-related incentives and work performance-related bonus. The Group sets out performance attributes for its employees based on their positions and departments. It periodically reviews their work performance against the Group's targets and requirements. The results of such reviews are used in salary adjustments, bonus awards, promotion justifications and training need analysis. The Group offers various benefit plans to its employees including top-up annual leave entitlement, pension fund, medical insurance and life insurance. Union has been established for the Group's employees in China according to local labour laws. As of 31 March 2017, the Group did not experience any strikes or any labour disputes with its employees which would have or likely to have a material effect on its business.

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

FINANCIAL REVIEW

REVENUE

Revenue by Operating Segments

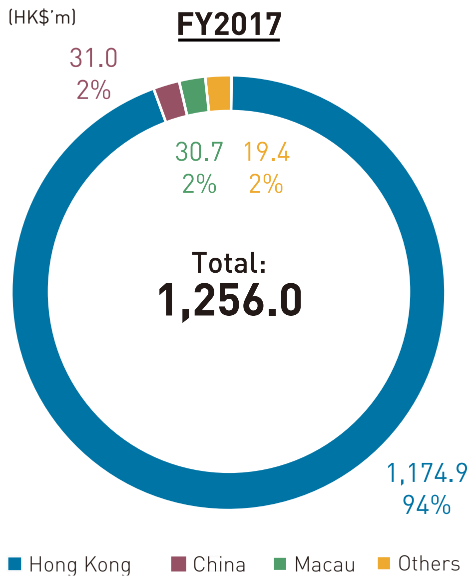


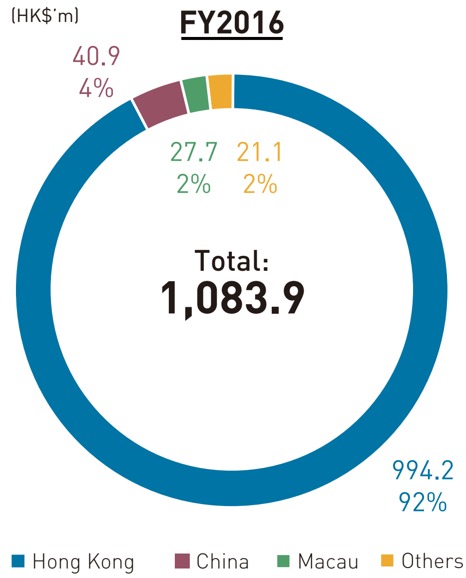
The increase in revenue of HK$172.1 million or 15.9% compared to FY2016 was contributed by the increase in revenue of HK$152.8 million in Generic Drugs and HK$19.3 million in Proprietary Medicines and revenue split of the two segments remains at the ratio of 87% and 13%.

In Generic Drugs segment, the increase in revenue reflected the higher revenue from both Public Sector and Private Sector, amounted to HK$41.4 million and HK$111.4 million respectively. The growth of revenue in Public Sector was primarily attributed to rise of demand in oral anti-diabetic and cardiovascular products along with the contributions from newly awarded tenders and the acquired products from Medipharma. The growth in Private Sector mainly reflected the rise in average selling price as well as the additional revenue from the acquisition of Medipharma.

In Proprietary Medicines segment, the increase in revenue was mainly contributed by the increase in sales of Po Chai Pills and the acquisition of Ho Chai Kung which was partially offset by the softening of sales of Flying Eagle Woodlok Oil.

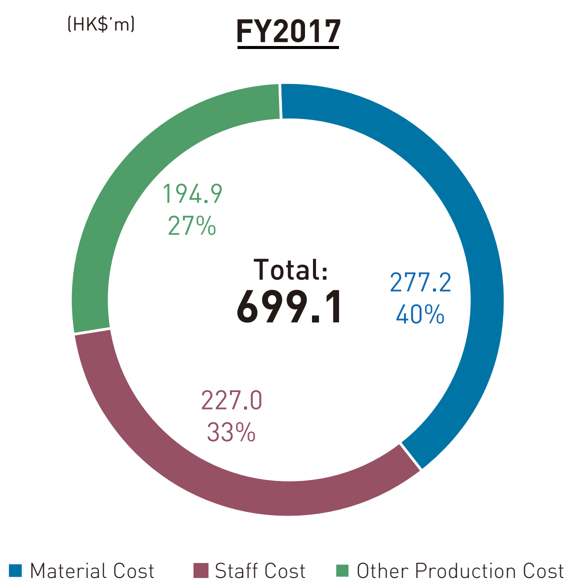
Revenue by Geographic Location

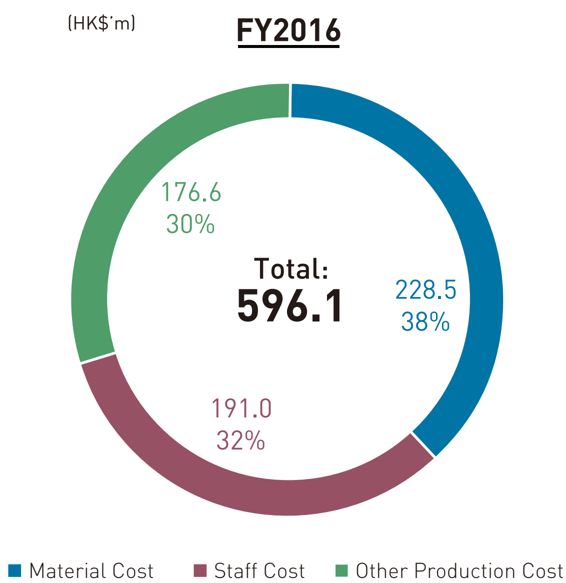




Hong Kong continued to be the major revenue stream, representing 94% of the total revenue and contributed an increase in revenue of HK$180.7 million. The revenue in the Mainland China decreased by HK$9.9 million principally due to the sales vacuum induced by the change in distributor of Puji Pills in China and the softening of sales of Flying Eagle Woodlok Oil. The revenue increase in Macau was mainly contributed by the acquisition of Ho Chai Kung and an expanded sales base for Generic Drugs. The slight decrease in revenue from other overseas market was mainly due to the decrease in sales in Singapore which was offset by the increase in sales in the United States of America and Thailand.

Cost of Goods Sold



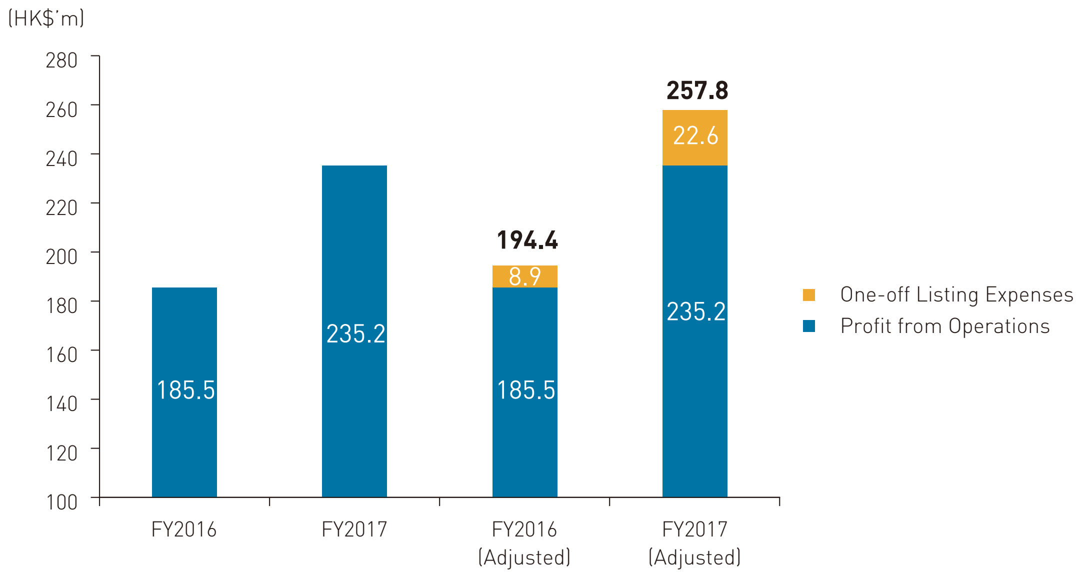


Material cost continued to be the major component in the cost of goods sold which contributed to approximately 40% of the total cost of goods sold.

The increase in staff cost of HK$36.0 million or by 18.8% reflected the increase in number of headcount primarily due to the commencement of production at the new manufacturing plants in Tai Po Industrial Estate in September 2016.

The increase in other production cost reflected mainly the additional depreciation and amortisation as well as the use of consumables arising from the commencement of the production at the new manufacturing plant and acquisitions.

Profit from Operations



The profit from operations excluding one-off listing expenses ("adjusted profit from operations") rose from HK$194.4 million to HK$257.8 million or by HK$63.4 million or 32.6%. The enhancement in the profit from operations was principally contributed by the increase in gross profit of HK$69.1 million while offset by the increase in selling and distribution expenses and administrative and other operating expenses by HK$11.5 million and HK$20.0 million respectively. The profit from operation also benefited from the gain on disposals of other non-current assets of HK$9.2 million.

The increase in selling and distribution expenses reflected mainly the increase in staff cost and rental expenses for logistics operations as well as the amortisation of intangible assets from acquisitions.

The increase in administrative and other operating expenses was mainly due to the one-off listing expenses incurred due to the initial public offering of the Company amounted to HK$22.6 million in FY2017 (FY2016: HK$8.9 million) as well as other legal and professional fees incurred mainly for acquisitions during the year.

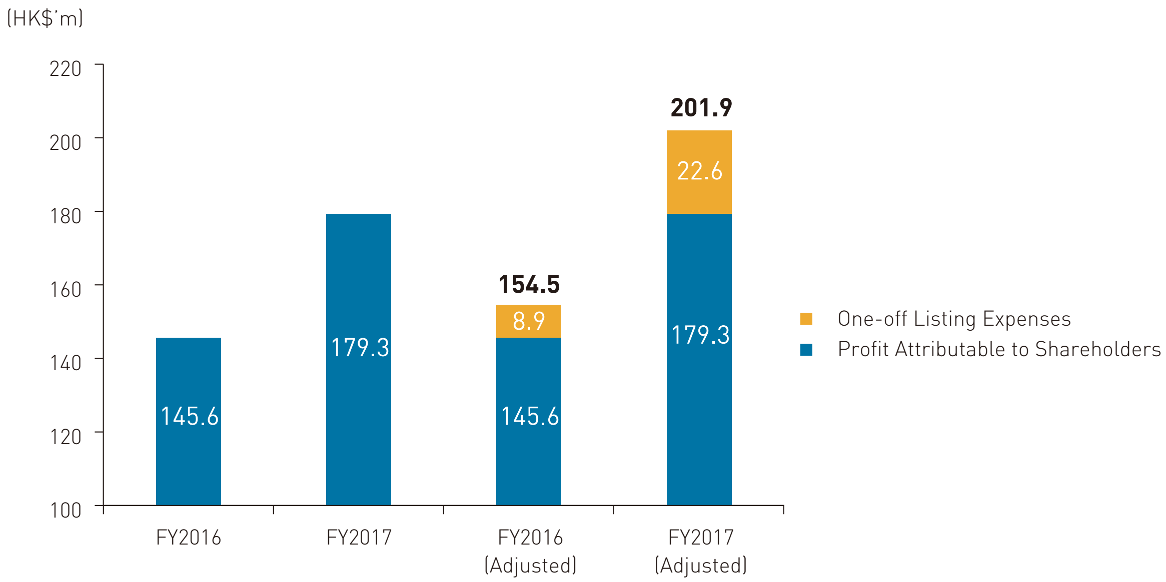
Finance Costs

The increase in finance costs mainly reflected the increase in bank loan balances as well as the effect of cessation of interest capitalisation due to the completion of the construction of new plant in Tai Po Industrial Estate after its commencement of production.

Income Tax

The increase in income tax principally reflected the higher profit before taxation generated. The increase in effective tax rate was due to non-deductible listing expenses incurred during FY2017.

Profit Attributable to Shareholders



The increase in profit attributable to shareholders reflected the increase in profit from operations offset by the additional finance costs and income tax. The adjusted profit attributable to the shareholders increased by HK$47.4 million or by 30.7% to HK$201.9 million.

Assets

Property, plant and equipment

The increase in property, plant and equipment principally reflected the additions arising from the acquisitions of Medipharma as well as Ho Chai Kung.

Intangible assets

The increase in intangible assets reflected principally the intangible assets recognised as a result of the business combinations during the Reporting Period.

Inventories

The increase in inventories mainly represented respective inventories being consolidated after the acquisition of Medipharma and Ho Chai Kung as well as the increase in inventories following the enhancement of production capacity.

Cash and cash equivalents

The increase in cash and cash equivalents reflected proceeds from the initial public offering of the Company and the increase in bank loans, which was offset by the use of proceeds mainly in merger and acquisitions.

As at 31 March 2017, around 98.9% of cash and cash equivalents were denominated in Hong Kong dollars (as at 31 March 2016: 94.4%), while the remaining balances were denominated in Renminbi and Singapore dollars.

Liabilities

Bank loans

The increase in bank loans from HK$439.3 million as at 31 March 2016 to HK$937.5 million as at 31 March 2017 represented additions of bank loans principally for merger and acquisition and capital investment while offset by certain settlements of bank loans during the year.

As at 31 March 2017, all the bank loans of the Group were denominated in Hong Kong dollars. As at 31 March 2016, around 99.5% of the bank loans of the Group were denominated in Hong Kong dollars, while the remaining balances were denominated in Renminbi.

USE OF PROCEEDS

Net proceeds of HK$695.5 million were raised from the initial public offering of the Company (included proceeds from the over-allotment option exercised by the underwriter amounted to HK$98.4 million and after the deduction of underwriting fees, commissions and expenses paid by us in connection with the initial public offering). The following table sets out the proposed application of the net proceeds and the actual usage up to 31 March 2017:

	Proposed application HK$'000	**Actual usage up to 31 March 2017 HK$'000**
Acquisitions – Expansion of businesses in Generic Drugs and Proprietary Medicines	139,108	**138,933**
Acquisitions – Enhancement of distribution network	104,331	**8,000**
Acquisitions – Intangible assets	69,554	**69,000**
Capital investments – Upgrading of manufacturing plants and facilities	113,197	**101,300**
Capital investments – Two specific automated production facilities	12,000	**12,000**
Expansion of bioequivalence clinical studies	94,331	**4,676**
Establishment of a new joint R&D centre with HKIB	10,000	**1,533**
Marketing and advertising	83,465	**13,808**
General working capital	69,554	**58,524**
	695,540	**407,774**

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.

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

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

Please refer to note 32 to the consolidated financial statements for a significant acquisition made after the Reporting Period. The Group did not have any other material acquisitions or disposals after the Reporting Period.

CHARGE ON GROUP ASSETS

The carrying value of assets pledged against bank loans increased from HK$315.0 million as at 31 March 2016 to HK$409.3 million as at 31 March 2017, which was mainly due to property, plant and equipment acquired through asset acquisition and business combinations during FY2017 amounted to HK$171.6 million were pledged for bank loans to facilitate related acquisitions.

NET GEARING RATIO

The net gearing ratio of the Group (bank loans, overdrafts and other loans less cash and cash equivalents, divided by total equity multiplied by 100%) reduced from 37.2% as of 31 March 2016 to 32.6% as of 31 March 2017. The drop in net gearing ratio was attributable to the increase in the share capital from the Listing, of which the effect was partially offset by the increase in bank loans in FY2017. Please refer to the section headed "Financial Highlights" for the trend of the net gearing ratio over the past three financial years.

FINANCIAL RISK ANALYSIS

Financial risk analysis has been performed as explained in note 27 to the consolidated financial statements. Based on this analysis, management considered that the Group did not have significant exposure to fluctuation in exchange rates and any related hedges.

CONTINGENT LIABILITIES

As of 31 March 2017, the Group did not have any significant contingent liabilities.

Corporate Governance Report

Corporate Governance Practices

The Board of the Company is committed to maintaining high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has applied the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules as its own code of corporate governance.

From the Listing Date to 31 March 2017, 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 code provision A.2.1. Detail of the deviation from the code provision A.2.1 is explained in the section headed "Chairman and Chief Executive Officer".

Model Code for Securities Transactions

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 to the Listing Rules 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 period from the Listing Date to 31 March 2017.

The Company has also established the Code for Securities Transactions by Employees (the "Employees Code") no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Code by the employees was noted by the Company throughout the period from the Listing Date to 31 March 2017.

Board of Directors

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board of Directors (Continued)

BOARD COMPOSITION

The Board currently comprises seven Directors, consisting of three executive Directors, one non-executive Director and three independent non-executive Directors.

The Board of the Company currently comprises the following Directors:

Executive Directors

Mr. Sum Kwong Yip, Derek *(Chairman and Chief Executive Officer)*
Mr. Yim Chun Leung
Ms. Pun Yue Wai

Non-executive Director

Professor Lam Sing Kwong, Simon

Independent Non-executive Directors

Dr. Lam Kwing Tong, Alan
Professor Chow Hee Lum, Albert
Mr. Young Chun Man, Kenneth

The biographical information of the Directors and the relationships between the members of the Board are set out in the "Directors' Biographies" section of the Report of the Directors of this Annual Report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.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 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 our Board and the chief executive officer of the Company at an appropriate time, taking into account the circumstances of the Group as a whole.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the period from the Listing Date to 31 March 2017, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Board of Directors (Continued)

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The non-executive Directors (including independent non-executive Directors) of the Company are appointed for a specific term of three years, subject to renewal after the expiry of the then current term.

The Company's Articles of Association provides that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment.

Under the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election.

In accordance with the Articles of Association, all the existing Directors will retire and being eligible, have offered themselves to be re-elected and re-appointed at the AGM of the Company.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for management and operations of the Company.

The Board oversees the Company's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls operating and financial performance and sets appropriate policies for risk management in pursuit of the Group's strategic objectives. The Board will also be responsible for the formation of the corporate governance policies of the Group.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company.

The Board delegates the implementation of strategies and day-to-day operation of the Group to the management. The management shall exercise all of the powers, authorities and discretions of the Board in so far as they concern the management and day-to-day operation of the Group in accordance with such policies and directions as the Board may from time to time determine with the exception of matters mentioned above which require the prior approval of the Board.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received formal, comprehensive and tailored induction to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Regular updates and briefings for Directors would be arranged and reading materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the Reporting Period, the Company organised an internal training session on "Duties and Responsibilities of Directors of a Company Listed on the Main Board of the Stock Exchange" which was organised by the Company's Hong Kong legal advisor, Shearman & Sterling, for all the directors. In addition, relevant reading materials such as legal and regulatory update and seminar handouts have been provided to the Directors for their perusal and reference where appropriate.

All Directors have provided the Company with a record of the training they received during the Reporting Period and such records were maintained by the Company.

Board Committees

The Board has established committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's corporate governance affairs. All these committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the websites of the Company and the Stock Exchange, which are available to shareholders upon request.

AUDIT COMMITTEE

The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Young Chun Man, Kenneth (Chairman of the Audit Committee), Dr. Lam Kwing Tong, Alan and Professor Chow Hee Lum, Albert. To retain independence and objectivity, it is chaired by an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise. The primary duties of the Audit Committee shall be to assist the Board in its oversight of the completeness, accuracy and fairness of the financial statements of the Company, of the effectiveness and adequacy of risk management and internal control systems, of the independence of the external auditor and of the performance of the Company's internal audit and compliance function. The Audit Committee is provided with sufficient resources to discharge its duties and it can seek independent professional advice according to the Company's policy if considered necessary. The major roles and functions of the Audit Committee are included in its terms of reference, which are available on the respective websites of the Stock Exchange and the Company.

The Audit Committee meets at least twice a year in accordance with its terms of reference. Two Audit Committee meetings were held during the period and the attendance of each member is set out in the section headed "The Board" of this report. In addition to the above Audit Committee meetings, the Audit Committee also dealt with matters by way of circulation during the period.

During the period from the Listing Date to 31 March 2017 and up to the date of this report, the Audit Committee performed the works as summarised below:

(i) reviewed and approved the audit scope and fees proposed by the external auditor in respect of the final audit for the year ended 31 March 2017 of the Group;

(ii) reviewed the independent auditor's report from the external auditor;

(iii) reviewed and recommended for the Board's approval of the financial reports for the interim period ended 30 September 2016 and for the year ended 31 March 2017;

(iv) reviewed the internal audit review report ("IA Report") by Company's external consultant and agreed that the issues raised would be addressed and managed by the management;

(v) reviewed and recommended for the Board's approval of the risk management report; and

(vi) reviewed and recommended for the Board's approval of the updated reports on substantiation of the resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

Up to the date of the Annual Report, the Audit Committee also met the external auditor twice without the presence of the executive Directors.

Board Committees (Continued)

REMUNERATION COMMITTEE

The Remuneration Committee currently consists of three members, namely Dr. Lam Kwing Tong, Alan, Mr. Young Chun Man, Kenneth, independent non-executive Directors, and Ms. Pun Yue Wai, an executive Director. Dr. Lam Kwing Tong, Alan is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code.

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of all Directors and senior management with reference to the prevailing market benchmark as well as his/her roles and duties with the Group, the remuneration policy and structure for all Directors and senior management and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

During the period from the Listing Date to 31 March 2017, the Remuneration Committee met twice at which the committee members reviewed remuneration of Non-executive Directors and evaluated and assessed of the effectiveness of the Remuneration Committee and the adequacy of its terms of reference. The committee members also reviewed the remuneration packages of individual executive Directors and senior management, the Company's policy and structure for the remuneration of all directors and senior management and the proposals to grant share awards to certain executive Directors and employees of the Group. In addition, the Remuneration Committee also reviewed the service agreement for the appointment of Ms. Pun Yue Wai as an executive Director during the year and made recommendation to the Board to approve the same.

Details of the remuneration of the Directors by band are set out in note 6 to the consolidated financial statements.

NOMINATION COMMITTEE

The Nomination Committee currently consists of four members, namely Professor Chow Hee Lum, Albert, Dr. Lam Kwing Tong, Alan, Mr. Young Chun Man, Kenneth, independent non-executive Directors and Mr. Yim Chun Leung, an executive Director. Professor Chow Hee Lum, Albert is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, including but not limited to skills, experience and diversity of perspectives that are required to support the execution of its business strategy and to maximise the Board's effectiveness. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider candidates against objective criteria, such as candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the period from the Listing Date to 31 March 2017, the Nomination Committee met twice at which the committee members reviewed the structure, size and composition of the Board, the independence of the independent non-executive Directors and the diversity policy. The committee members also reviewed the qualification of Ms. Pun Yue Wai and nominated her to be appointed by the Board as an executive Director. In addition, the committee members also evaluated and assessed the effectiveness of the Nomination Committee and the adequacy of its terms of reference.

Board Diversity Policy

The Board Diversity Policy (the "Policy") was adopted by the Company pursuant to the Board resolutions passed on 30 August 2016. The Company is committed to equality of opportunity in all aspects of its business and does not discriminate on the grounds of race, gender, disability, nationality, religious or philosophical belief, age, sexual orientation, family status or any other factor so as to enable the Company to serve its shareholders and other stakeholders going forward.

The Company would enhance the effectiveness of the Board by maintaining the highest standards of corporate governance and recognising and embracing the benefits of diversity in the boardroom. The Company sees diversity as a wide concept and believes that a diversity of perspectives can be achieved through consideration of a number of factors mentioned above. In forming its perspective on diversity, the Company will also take into account factors based on its own business model and specific needs from time to time.

The Board endeavors to ensure that its Board has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and to maximise the Board's effectiveness.

Board appointments will continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board.

The Board will review the Policy on a regular basis to ensure its continued effectiveness and disclose any measureable objectives it has set in this regard, if any.

During the period from the Listing Date to 31 March 2017, the Board has reviewed and confirmed the effectiveness of the Policy.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the CG Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report for the period from the Listing Date to 31 March 2017.

Board Meetings

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings of the Company held during the period from the Listing Date to 31 March 2017 is set out in the table below:

	Attendance/Number of Meetings			
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Sum Kwong Yip, Derek *(Chairman)*	8/8	N/A	N/A	N/A
Mr. Yim Chun Leung	8/8	N/A	N/A	2/2
Ms. Pun Yue Wai [2]	3/3	N/A	1/1	N/A
Mr. Lo Chun Bun [1]	4/5	N/A	1/1	N/A
Professor Lam Sing Kwong, Simon	8/8	N/A	N/A	N/A
Dr. Lam Kwing Tong, Alan	8/8	2/2	2/2	2/2
Professor Chow Hee Lum, Albert	8/8	2/2	N/A	2/2
Mr. Young Chun Man, Kenneth	8/8	2/2	2/2	2/2

Notes:

[1] Mr. Lo Chun Bun resigned as an executive Director and a member of the Remuneration Committee on 1 February 2017. Five Board meetings and one Remuneration Committee meeting were held before his resignation.

[2] Ms. Pun Yue Wai was appointed as an executive Director and a member of the Remuneration Committee on 1 February 2017. Three Board meetings and one Remuneration Committee meeting were held after her appointment.

As the Company was listed on the Stock Exchange on 21 September 2016, the Company has not convened any annual general meeting and other general meetings. Going forward, the Company will hold its annual general meeting pursuant to the requirements stipulated in the Company's Articles of Association and in the Listing Rules. The AGM will be held on 8 September 2017.

Apart from Board meetings, the Chairman also held a meeting with the non-executive Directors (including independent non-executive Directors) without the presence of other executive Directors during the period from the Listing Date to 31 March 2017.

Accountability and Audit

FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing, with the support from the Finance Department of the Company, the consolidated financial statements of the Group. In preparing the consolidated financial statements for the year ended 31 March 2017, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance have been complied with. The Directors believe that they have selected suitable accounting policies and applied them consistently, and made judgements and estimates that are prudent and reasonable and ensure the consolidated financial statements are prepared on a going concern basis.

The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The reporting responsibilities of the Company's external auditor, Messrs. KPMG, are set out in the Independent Auditor's Report on pages 55 to 60 of this Annual Report.

Accountability and Audit (Continued)

RISK MANAGEMENT AND INTERNAL CONTROL

During the year ended 31 March 2017, the Group has engaged external consultants to provide assistance in the development of a structured approach to risk management and adopted a risk management policy (the "Risk Management Policy"). The Risk Management Policy was presented to and approved by the Audit Committee and the Board. We highlighted the key features of our structured risk management approach as follows:

I. **Risk governance structure**

The Group's risk management framework is guided by the "Three Lines of Defense" model as shown below:

Board of Directors
The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic business objectives, and ensuring the Group establishes and maintains appropriate and effective risk management and internal controls systems.

Risk Management Committee
The Risk Management Committee, comprising both financial and operational executives of the Group, is responsible for overseeing the Group's overall risk management framework and to advise the Audit Committee and the Board on the Group's risk-related matters.

First line of defense
At the first line of defense, operating subsidiaries of the Group, as the risk owners, are responsible for identifying, assessing and monitoring risks associated with each business operation.

Second line of defense
The Risk Management Committee, as the second line of defense, is responsible for assessing relevant risks and carrying out necessary control activities, exercising appropriate supervision to ensure the effectiveness and efficiency of control over activities within and between different departments, and assessing and presenting regular reports to the Audit Committee.

Third line of defense
As the third line of defense, the Internal Audit performs internal audit work on annual basis and ensures that the first and second lines of defense are effective. It provides independent assurance to the Audit Committee and the Board on the adequacy and effectiveness of internal controls for the Group.

Accountability and Audit (Continued)

RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

II. Risk management process

In the year ended 31 March 2017, the Group uses a blended top-down and bottom-up approach for identifying risks. Sources of risk, areas of impact, events and their potential consequences are identified. A risk universe has been created to ensure the entire spectrum risks are captured. The identified risks are categorised into Financial, Operational, Reputation, Legal and Regulatory and People.

The Group uses a 5-by-5 risk matrix ("heat map") to assess risks. The risk rating is scored in terms of the consequence and likelihood of occurrence. Risks are rated according to their residual risk levels. Residual risk levels refer to the scoring of risks which exist, taking into account all existing controls. The result from the risk analysis is evaluated to determine whether or not identified risks are within predefined risk appetite and tolerance levels.

Based on the risk evaluation, risks are transferred, eliminated or effectively controlled through proposed risk mitigation measures. Each proposed risk mitigation measure has a designated risk owner and an expected completion date assigned to ensure accountability for risk mitigation, which is documented in the top Risk Record of the Group.

III. Risk monitoring and reporting

We highlighted below the reporting channel and frequency of our key risk reporting activities:

Bottom-up reporting: From operational management to Risk Management Committee

- Any significant risks identified from operating subsidiaries (semi-annually)
- The remediation status of the proposed risk mitigation measure documented in the Top Risk Records (semi-annually)
- Any risks that exceed the risk appetite of the Group (real time)

From the Risk Management Committee to the Audit Committee and the Board

- The remediation status of Top Risks (semi-annually)
- Any updates to the risk universe (semi-annually)
- Update of risk management policy, including risk assessment criteria (annually)
- Top risk identification including top risk dashboard, risk universe and top risk records (annually)
- Any risks that exceed the risk appetite of the Group (real time)

IV. Annual confirmation

The Group's risk management and internal control systems are designed to provide reasonable, but not absolute assurance against material misstatement or loss; to manage rather than completely eliminate the risk of failure to achieve business objectives. It has a key role in the management of risks that are significant to the fulfilment of business objectives. The Board, through the Audit Committee and with the assistance of the Company's external consultants, conducted risk management and internal control reviews of the business operations for the year ended 31 March 2017 and considered it to be effective and adequate the year. The management has provided a confirmation to the Audit Committee (and the Board) on the effectiveness of these systems for the year ended 31 March 2017.

Accountability and Audit (Continued)

INTERNAL AUDIT

The Company's external consultants prepare the IA Report to the Audit Committee. The internal audit plays an important role in providing assurance to the Board that a sound internal control system is maintained and operated by the management.

The IA Report was issued to the Audit Committee and the Board for review of the adequacy and effectiveness of the internal audit function which included a discussion on the risk governance structure and the preliminary top risks which the Group is facing. The issues raised in the IA Report would be addressed and managed promptly by the management, and the Audit Committee and the Board are satisfied that there are adequate risk management and internal control systems in the Company.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company has a policy with regard to the principles and procedures for handling and disseminating the inside information of the Company in compliance with the requirements under Part XIVA of the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong) and the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

- designated reporting channel from relevant officers in possession of potential inside information informing such information to the designated persons;
- designated persons to assess the potential inside information and provide advice, and where appropriate, to escalate such information for the attention of the Board to resolve on further actions complying with applicable laws and regulations; and
- restrictive access to inside information to a limited number of employees on a need-to-know basis.

Auditor's Remuneration

The remuneration paid/payable to the external auditor of the Company, Messrs. KPMG, in respect of audit services and non-audit services for the year ended 31 March 2017 are HK$6,300,000 and HK$7,314,000 respectively. Remuneration in respect of non-audit services included mainly the service fees for the Listing of HK$2,205,000 and the major transaction of HK$2,280,000. A portion of the service fee for the Listing of HK$551,000 was charged to reserves.

Shareholders' Rights

The Company engages with shareholders through various communication channels and a shareholders' communication policy is in place to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AND TO PUT FORWARD PROPOSALS AT AN EXTRAORDINARY GENERAL MEETING

Article 58 of the Company's Articles of Association provides that any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Note: Any such written requisition from the shareholders should be marked "Shareholders' Communication" on the envelope.

Shareholders' Rights (Continued)

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS DIRECTOR

Shareholders may propose a person for election as Director, for detail procedures, please refer to the section "Corporate Governance" under "Investor Relations" on the Company's website (http://www.jacobsonpharma.com/html/ir-governance.php#gov).

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company and the Company has an investor relation function to attend to enquiries from the shareholders.

CONTACT DETAILS

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Unit 2313-18, 23/F Tower 1, Millennium City 1 388 Kwun Tong Road Kwun Tong, Kowloon Hong Kong
Telephone no.:	(+852) 2267 2298
Email:	Jacobsonpharma@sprg.com.hk
Attention:	Strategic Public Relations Group/Company Secretary

The Company will not normally deal with verbal or anonymous enquiries. For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Communication with Shareholders and Investors

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavors to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries. Auditor of the Company is also invited to attend the Company's annual general meeting pursuant to code provision E.1.2.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors.

During the period from the Listing Date to 31 March 2017, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the Company's website (http://www.jacobsonpharma.com) and the Stock Exchange's website (http://www.hkex.com.hk).

Environmental, Social and Governance Report

1 About this Report

1.1 OVERVIEW

This is the first Environmental, Social and Governance Report (the "ESG Report") of the Group.

This ESG Report provides an annual update of the Group's ESG performance for the year ended in 31 March 2017. It is to be read in conjunction with the Group's FY2017 Annual Report (http://www.jacobsonpharma.com/html/ir-reports.php#reports), in particular the Corporate Governance Report contained therein.

About Jacobson

Jacobson is one of the largest generic drugs companies in Hong Kong, representing over 30% share of the total generic drugs market in Hong Kong since 2012. As a main supplier of generic drugs for the Public Sector, our supply contributes to more than 70% of its annual purchase of generic drugs. For the Private Sector, our generic drugs contribute to over 20% of the market share[1] in Hong Kong. The Group's proprietary medicines are also highly recognised, including primarily three main products – Po Chai Pills, Flying Eagle Woodlok Oil and Tong Tai Chung Woodlok Oil. The Group's key business services include distribution, product development and drug manufacturing.

We have a total of ten production facilities in Hong Kong and one production facility in Zhongshan, China. The principal location of our business is in Hong Kong, which contributes to more than 90% of the Group's total revenue. We also distribute our products to overseas market mainly in China, Macau and Singapore.

1.2 SCOPE OF THIS REPORT

In this first ESG Report, we have covered operations and geographical areas as listed below.

Operational boundary:

- Generic drugs and proprietary medicines production, distribution, product development and drug manufacturing

Geographical boundary:

- All twelve production facilities in Hong Kong and the Hong Kong head office

1.3 CONTENT OF THIS ESG REPORT

The content of this report is defined through a systematic process as described in the ESG Reporting Guide by Hong Kong Exchanges and Clearing Limited ("HKEx"). In 2017, we have conducted our first stakeholder engagement on ESG in identifying and prioritising the most significant ESG aspects for the Group, which enabled us to strategise the control and management of such potential impacts and to carry out monitoring of their respective performance.

1.4 REPORTING REFERENCE

This ESG Report is prepared in accordance with the general disclosure requirement of Environmental, Social and Governance Reporting Guide ("ESG Guide") in Appendix 27 of the Listing Rules. The ESG Reporting Guide Content Index that made reference to the relevant information contained in this ESG Report is provided in Appendix A.

1.5 ENDORSEMENT AND APPROVAL

On 23 June 2017, this ESG Report was approved by the Board.

1.6 FEEDBACK TO THIS ESG REPORT

We welcome any comments and suggestions you may have on this ESG Report, or on our ESG reporting in general. You may submit your feedback via the online feedback from (http://www.jacobsonpharma.com/html/contact-us.php). Comments and suggestions regarding the Group's ESG performance are also welcome and can be sent to the Company Secretary of Jacobson at Unit 2313-2318, 23/F, Tower 1, Millennium City 1, 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong.

[1] Referenced from the Prospectus, page 109.

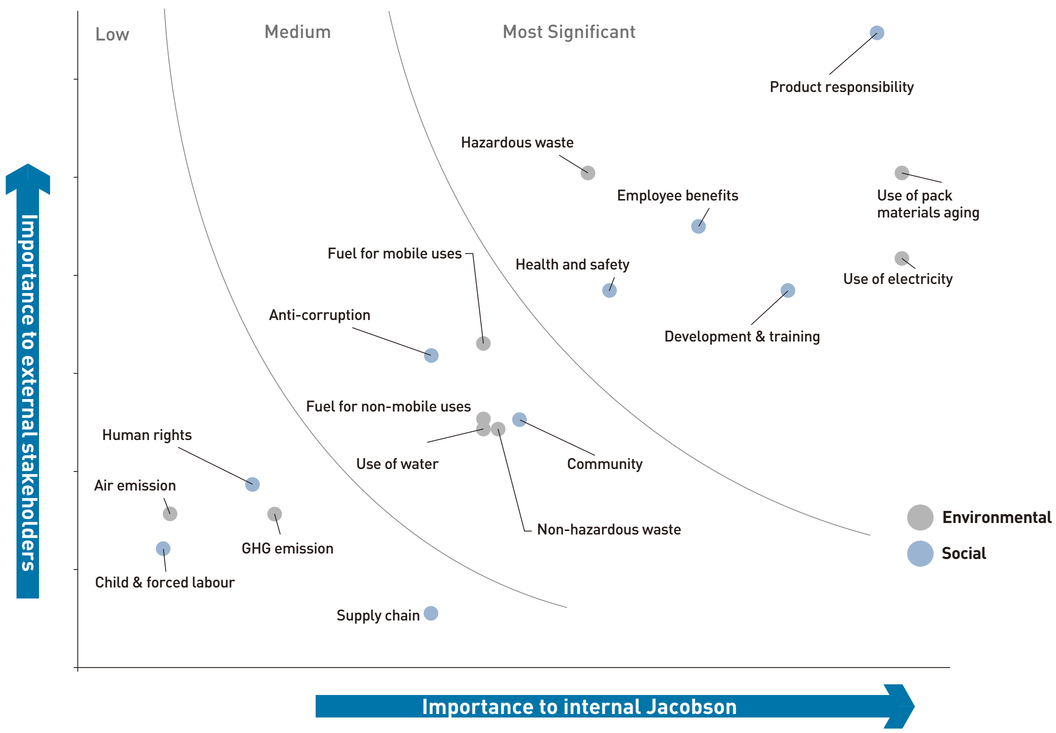
2 Our Approach to ESG Reporting

2.1 STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The identification of materiality on ESG is essential in providing the directions for setting the ESG strategy. This year, we have engaged an independent consultant to facilitate the stakeholders' engagement through interviews and surveys with the aim to identify our material aspects on ESG. We have primarily engaged with our top management representatives from various departments and functions, they are not only industry experts, but they also have with strong knowledge on the regulatory requirements as well as the expectations from the key clients. It is our intention to expand our scope of stakeholder engagement exercise next year so we can attain a more comprehensive materiality result as time goes by.

As a result of the stakeholders' engagement, the materiality assessment results are shown below:

Materiality Matrix



Based on the findings from the materiality assessment, the areas identified to be the most significant under environmental and social aspects of the Group are summarised in descending order of importance as follows:

Material Environment Issues	Material Social Issues
Use of Packaging Materials	Product Responsibility
Use of Electricity	Development and Training
Hazardous Waste	Employee Benefits
	Health and Safety

3 Environment

3.1 ENVIRONMENTAL POLICY

The Group is committed to environmental protection and we are committed to complying with all applicable environmental laws and regulations in the locations where we conduct our businesses. We are committed to reducing our environmental impacts through proper management in minimising our environmental emissions and resource consumptions. We strive to adopt environmental-friendly measures in our business operations where it is practicable. And we engaged our staff to enhance their awareness in environmental protection.

In accordance with our materiality results, we have mapped the material environmental issues with our operations and summarised as follows:

Material Issues	Relevance
Use of Packaging Materials	Impact on product quality and use of resources
Use of Electricity	Energy consumption in manufacturing and office area
Hazardous Waste	Waste chemicals generated from drug production

3.2 USE OF RESOURCES

3.2.1 Use of Packaging Materials

Packaging material usage is one of the main concerns of the Group as it directly impacts the quality of our products. The Group has strict controls on both the quality and quantity of packaging materials used. In terms of quality, majority of the packaging materials used are produced by GMP-accredited or International Organization for Standardization (ISO)-certified manufacturers, which meet the local regulatory requirements on packaging materials. We have designated staff in every production facility to oversee the purchase of packaging materials to ensure their quality. In addition, we monitor the usage of packaging materials closely to ensure minimal wastage.

3.2.2 Use of Electricity

The Group relies on energy in the production of drugs. Our operations in Hong Kong primarily use electricity as the main source of energy. Our clean rooms are under continual temperature and humidity controls, which are the most energy intensive among our facilities. We have therefore appointed a researcher from an academic institute to carry out a pioneer energy saving study in one of our Tai Po production facilities in 2016. The study has identified a number of measures for the air-side optimisation, including room air upper limit temperature control, and air-handling unit (AHU) exhaust and air damper control. Upon the implementation of these optimisation measures, a significant energy consumption reduction would be anticipated comparing to the status quo. In the coming year, we will continue to monitor the performance in energy consumption and look into the feasibility of optimisation at our other production facilities.

Besides the hardware, we believe human behaviour also plays an important role in order to improve energy efficiencies. We will continue to encourage our employees to adopt an environmentally conscious mind-set. Across our premises, green tips are placed at prominent locations to remind our staff to turn off their computers and lighting when not in use.

3.2.3 Others

Use of Water
Water is essential in our production process yet it is not the most material issue amongst the operations of the Group in terms of quantity. We use purified water in the drugs production process. We have extremely stringent requirements on the water quality and we monitor the water purification system closely to ensure the quality of water is met. In terms of the amount of freshwater usage in the production process, it is currently not posing a significant impact on us. However, we will continue to monitor our usage and explore opportunities to implement future savings as a good practice in natural resource conservation.

Use of Fuel for Mobile Source
We mainly distribute our products to hospitals, clinics, retail outlets and trading companies in Hong Kong through our in-house logistic arms. In order to enhance the efficiency of fuel consumption and reduction of greenhouse gas emissions, the majority of our trucks are EURO V diesel vehicles. We also implement good routing practices by identifying the most efficient routes for delivery in order to minimise our fuel consumption and the time used in delivery.

Use of Paper
We strive to reduce paper consumption in our operations. For instance, we are trying to become paper-less in our sales operations by introducing handheld promotion and mobile ordering which is anticipated to be launched in 2017.

3 Environment (Continued)

3.3 EMISSIONS

3.3.1Waste Management

Hazardous Waste
As a drug manufacturer, we must comply with Hong Kong's Waste Disposal Ordinance (Chapter 354), on the disposal of hazardous waste. The major hazardous wastes produced in our operations are dangerous drug, poison and common chemical wastes. The Group has detailed standard operating procedures to properly handle and store the hazardous wastes. Licensed waste collectors are appointed for the collection, treatment and disposal of the hazardous wastes. For any 'Part A' Chemical Wastes including wastes types: Dangerous Drugs, Poison (Part 1) and Antibiotics, a checklist of waste to be disposed of and a notification under Section 17 for 'Part A' Chemical Wastes shall be filed and endorsed by the Environmental Protection Department according to the Waste Disposal Ordinance (Chapter 354) prior to the disposal by the licensed waste collectors.

General Waste
General waste generated from the offices and production facilities in Hong Kong mainly consists of used paper and packaging materials. We support the concept of "3Rs" (Reduce, Reuse and Recycle) and strive to raise the environmental awareness of our employees. We also engaged a cleaning contractor to collect and handle the recycling and disposal of general waste. Measures adopted to minimise the generation of waste include:

- Setting up recycling bins to collect used paper, cardboard boxes, packing materials, toner and ink
- Duplex printing is encouraged
- Environmentally friendly printing paper (FSC paper) is sourced
- Internal memorandum and reports are communicated by digital means

Waste Water Discharge
Waste water is immaterial to our production, in terms of quality and quantity. We do not have on-site waste water treatment facilities in our production facilities in Hong Kong. Domestic waste water is discharged into the public sewer.

Air Emissions
Air emission is immaterial to our production, in terms of quality and quantity and we do not have any on-site air treatment facilities in our production facilities in Hong Kong.

3.4 THE ENVIRONMENT AND NATURAL RESOURCES

The Group adheres to a production guideline of not using wild endangered species in the production of proprietary medicines. The Group only imports artificially propagated saussurea costus, which is listed in the Schedule 1 to the Protection of Endangered Species Ordinance, and uses it as an ingredient for manufacturing of one of its proprietary medicine. The Group has obtained the relevant license in accordance with the Protection of Endangered Species of Animals and Plants Ordinance (Chapter 586).

The Group does not currently conduct animal testing in the product development process.

3.5 COMPLIANCE STATUS

During the Reporting Period, there was no significant regulatory non-compliance with respect to the applicable environmental laws and regulations, nor was the Group involved in any material environmental claims, lawsuits, penalties or administrative sanctions.

4 Product Responsibility

As a pharmaceutical manufacturer, our key focus is to ensure that our products are safe, effective and of high quality.

4.1 QUALITY OF PRODUCTS

Our generic drugs manufacturing in Hong Kong is fully implementing the GMP standard in accordance with the PIC/S GMP Guide set forth by the Pharmacy and Poisons Board of Hong Kong since 1 October 2015. Our generic drugs manufacturing in China is fully implementing the GMP Guide set forth by the China Food and Drug Administration (CFDA). We have stringent control on regulatory compliance and product quality. All of our production facilities in Hong Kong are PIC/S GMP accredited. We have obtained all the necessary licenses, permits and approvals for our production facilities. The Quality Assurance Department is responsible for monitoring the implementation of the Group's GMP to ensure that the Group's pharmaceutical production is in line with the relevant and appropriate requirements.

GMP is a system for ensuring that products are consistently produced and controlled according to quality standard and complying with GMP is mandatory in all pharmaceutical manufacturing. This practice is to ensure that manufacturers follow established procedures from procurement and management of starting materials, design and maintenance of premises, facilities and equipment, hygiene control, packaging and transportation processes, personnel qualification and training, production processes, quality control to the distribution of products so as to ensure and to achieve a high level of safety and quality standards of all medicines produced. We build quality into our products.

The Group delegated product quality control to the Quality Assurance Department and the Quality Control Department. The main responsibilities of the Quality Control Department are to carry out all necessary and relevant tests on raw materials, intermediate products and finished products. The Quality Assurance Department ensures that the Group's GMP compliance standard is met and monitors the pharmacovigilance system, which is responsible for management of adverse drug reaction events of medicines. We have also established product recall procedures with reference to The Pharmaceutical Products Recall Guidelines issued by the Department of Health of Hong Kong. As a result, the product quality is comprehensively monitored under the supervision of Quality Control Department and Quality Assurance Department.

Production Process

Our production process begins with the purchase of raw materials and packaging materials. We perform quality control tests on all incoming materials and only use qualified materials in the manufacturing process. Then, we manufacture and package the products according to pre-set and standardised procedures utilising qualified facilities and equipment. The manufacturing process of each product has been validated to ensure that the process operated within established parameters can perform effectively and reproducibly to produce a medicinal product meeting its predetermined specification and quality attributes. We perform quality control tests on the full specifications for every batch of finished products. After confirming compliance with product specifications, our authorised person will release the products for sale.

The Quality Control Department is responsible for the preparation of analytical procedures, establishing raw materials and product specifications and carrying out sampling and analysis. Analytical activities include chemical and physical analyses of the raw materials, intermediate products and finished products, setting up stability program and carrying out stability studies to determine storage condition and product shelf life. Microbiological testing and measures have also been adopted and conducted on site as stipulated by the Department of Health of Hong Kong.

The Quality Control Department ensures that the necessary and relevant tests are actually carried out and that materials are not released for use, nor products released for sale or supply, until their quality has been judged to be satisfactory by the department. The Quality Control Department is also responsible for the verification of manufacturing processes, environmental and water monitoring, method and process validation and equipment calibration.

When we receive raw materials including active pharmaceutical ingredient (APIs), the manufacturers must provide a certificate of analysis confirming that the materials comply with the prescribed specifications. Each lot of raw materials, packaging materials, intermediate products and finished products are quarantined until they have been sampled, tested and released for use by the Quality Control Department. Final release of products from quarantine area is carried out only when all documents pertaining to the production and control have been reviewed by the heads of the related departments and released by the authorised person. The approved finished products are affixed with the released label ready for distribution.

4 Product Responsibility (Continued)

4.2 PROMOTION AND SALES

We primarily engage in direct sales in Hong Kong and utilise well-established third-party overseas distributors in China, Macau, Singapore, Malaysia, Indonesia and United States.

Our operations are subjected to various laws, rules, regulations and policies in each of the jurisdictions that we operate in. For advertising and labelling of our products, we always adhere to the laws and requirement to ensure we do not convey false or misleading messages about our products. As a member of The Hong Kong Association of the Pharmaceutical Industry, we also strictly follow the code of conduct, including the guidelines in drug promotion and sales.

Each of our products has adequate labeling on the package according to the regulatory requirements to ensure our customers understand the caution warnings and how to use the products safely.

4.3 COMPLIANCE STATUS

The Group had no significant breach of relevant laws and regulations related to drug quality, promotion and sales during the Reporting Period.

5 Supply Chain Management

The Group strives to engage its suppliers and actively works with them so that they can achieve the Group's standards on business ethics, environment, and health and safety.

We have designated teams responsible for the purchasing of raw materials. Vendor approval process is required for our major suppliers of key raw materials for generic drugs, comprising an on-site audit or audit by questionnaire and regular monitoring and review, including qualification assessment and sample testing. Our raw material manufacturers are primarily located in China, Switzerland, the United Kingdom, Spain, South Korea, India and Taiwan.

The raw materials for our generic drugs production were primarily APIs, excipients and packaging materials. The majority of our raw materials and packaging materials are produced by GMP-accredited or ISO-certified manufacturers. All of our raw materials are specified and compliant with the relevant standards.

We source our raw materials for our generic drugs from over 350 suppliers. We routinely monitor our suppliers for any incidents or regulatory warnings. We also maintain long-term relationships with suppliers of raw materials of proprietary drugs.

For a part of goods distribution and the employee shuttle bus services are outsourced to third-party service providers, we have minimal control over their fuel use and route adopted for transportation of goods. But we will explore in the future on potential opportunities to influence any practices that may have an impact on our operations.

6 Employee

6.1 EMPLOYMENT

The Group has established and made available to our employees the policies on staff compensation and benefits, recruitment and employment, work attendance, leave, training and development, equal opportunities, anti-bribery and code of conduct.

The Group offers competitive remuneration packages which are comparable to others in the same industry. We regularly review the internal remuneration packages at all levels, collect external remuneration information from the labour market. In doing so, we strive to create a fair, reasonable and competitive remuneration system based on position, individual skills and competencies, and work performance. Share incentive schemes are also available to employees who made remarkable contributions to the Group.

Our employees have entered into standard employment contracts with us. Remuneration packages for our employees comprise of the following elements: basic salary, productivity-related incentives and performance-related bonus. Different types of leave including annual, sick, maternity, paternity, marriage, jury / witness duty, compassionate and no pay leave are provided to our employees. We set performance attributes for our employees based on their positions and departments and conduct performance review regularly. The results of such reviews are applied in their salary adjustments, bonus awards and promotion justifications. We offer various benefit plans to our employees including top-up leave entitlement, medical and life insurances. Our employees in China are unionised according to local labour laws.

We oppose any form of discrimination. Any personal attributes that is not related to the job requirements shall not affect the employment opportunities and treatment of employees. We are committed to creating and promoting a fair and impartial work environment of equal opportunities.

The Group will only recruit employees above the minimum working age in compliance with the Employment Ordinance. During the recruitment process, the age of candidates will be verified with their identification documents. The Group strictly abides by all local legislations such as the Employment Ordinance of Hong Kong and Labour Contract Law of the People's Republic of China.

Compliance

During the Reporting Period, there was no significant regulatory non-compliance in respect of remuneration and dismissal, recruitment and promotion, working hours, leave and holidays, equal opportunities,, anti-discrimination and other benefits in the Group, nor did we find any regulatory non-compliance related to child labour or forced labour prevention.

6.2 DEVELOPMENT AND TRAINING

The Group has in place the policy for staff development and training in the employee handbook. We regard the provision of staff opportunities and room for career development as our responsibility. We nominate employees to participate in internal and external training and development programs. Employees can also initiate application for training sponsorship for attending different courses to enhance their professional and management skills and knowledge. We also provide general training on manufacturing skills, equipment operations, GMP and PIC/S standards to our production staff.

We take 'promotion from within' as the main principle and external recruitment as support in the event of a job vacancy. Employees who show their competencies and abilities with outstanding performance will be given priority for promotion and development.

6 Employee (Continued)

6.3 HEALTH AND SAFETY

Staff health and safety is of utmost importance to the Group. The Safety Officer at the Group's office closely monitors each premise to enhance the overall safety management. Standard operating procedures (SOPs) on safety for the whole manufacturing process and hazardous chemicals management are available at each manufacturing site to ensure employees are working in line with the safety requirements. Appropriate personal protective equipments (PPEs) such as masks and gloves are provided to employees at our manufacturing sites. Fire safety training and drills are also carried out regularly to enable employees to respond appropriately in the unlikely event of fire or emergencies.

We constantly provide work safety training to employees to reinforce their safety awareness. The Safety Officer reviews and updates the safety manual from time to time to promote a safer work environment and procedures. We have been experiencing a downward trend in accidental rate since 2013.

The Group also provides annual physical examination to production employees. Upon completion of probation, employees are eligible to join the Group medical insurance scheme which covers in-patient, out-patient and dental benefits.

Compliance

During the reporting period, there was no significant regulatory non-compliance with the relevant laws and regulations relating to occupational health and safety.

6.4 ANTI-CORRUPTION

The Group takes all measures to prevent any bribery, extortion, fraud and money laundering in our business. The Group's Policy on Bribery Prevention prohibits paying or receiving bribes and kickbacks in all commercial transactions. Investigation will be carried out promptly for any suspected incidents of fraud and staff will be dismissed if proven to have committed any fraud. We also encourage staff to report any issues of suspected corruption to Human Resources Department.

Compliance

During the Reporting Period, the Group has not recorded any misconduct or regulatory non-compliance related to bribery, extortion, fraud and money laundering.

7 Community

We care about vulnerable groups, promotion of environmental protection awareness, charitable donations, support education and the like. We have launched activities of corporate social responsibility, including supporting the local university pharmacy education, providing scholarships to Hong Kong pharmacy students and making sponsorship to research institutes during the Reporting Period. The Group actively participates in charitable activities related to the elderly and sponsors activities for the elderly community from time to time.

SPONSORSHIP AND COLLABORATION WITH TERTIARY INSTITUTES

– We entered into a memorandum of understanding with a research and academic institution, The Hong Kong Institute of Biotechnology Ltd., with the aim to establish a new joint research and development center for developing new drug manufacturing technologies

– We agreed to sponsor and collaborate with Nano and Advanced Material Institute Limited in the research and development of Nano Diagnostic Agent for Preclinical Diagnosis of Alzheimer's Disease

– We established the HKU Li Ka Shing Faculty of Medicine Jacobson Prizes and Scholarships 2015-2016

– We established The Chinese University of Hong Kong Faculty of Medicine Scholarships and Prizes 2016/2017

– Internship programs provided

CONTRIBUTIONS TO THE COMMUNITY

– Sponsorship to the Chi Heng Foundation, Walk for Chalk 2016 – Lijiang

OTHER CONTRIBUTIONS

– Sponsorship to the Pharmacy Conference 2017

COMPANY ACTIVITIES AND GIFTS OFFERED TO EMPLOYEES

– Organisation of company basketball team

– Photo Competition 2016

– Distribution of Jacobson desktop calendar and corporate diary

A Appendix A – HKEx ESG Content Index

ESG Guide	Material Aspects	Descriptions	Section	Remark
Environment	A1. Emissions	Policies relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Compliance with relevant laws and regulations that have a significant impact on the issuer	3.3	
	A2. Use of Resources	Policies on the efficient use of resources, including energy, water and other raw materials.	3.2	
	A3. The Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	3.4	The aspect is not regarded as material according to our material assessment
Social	B1. Employment	Policies on employment and compliance with local laws and regulations that have a significant impact on the issuer on the following aspects: • Compensation and dismissal • Recruitment and promotion • Working hours and rest periods • Equal opportunity and anti-discrimination • Diversity • Other benefits and welfare	6.1	
	B2. Health and Safety	Policies on providing a safe working environment and protecting employees from occupational hazards and compliance with relevant laws and regulations:	6.3	
	B3. Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	6.2	
	B4. Labour Standards	Policies and Compliance with laws and regulations on preventing child and forced labour.	6.1	
	B5. Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	5	
	B6. Product Responsibility	Policies and compliance with relevant laws and regulations on health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	4	
	B7. Anti-corruption	Policies and compliance with relevant laws and regulations relating to bribery, extortion, fraud and money laundering.	6.4	
	B8. Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	7	

Report of the Directors

The board of directors of the Company are pleased to present their report and the audited financial statements of the Group for the year ended 31 March 2017.

PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding. The subsidiaries of the Group are principally engaged in the development, production, marketing and sale of generic drugs and proprietary medicines. Details of the principal subsidiaries of the Group are set out in "Principal Subsidiaries" of this Annual Report.

BUSINESS REVIEW

A fair review of the Group's business, the performance of the Group for the Reporting Period with reference to key financial performance indicators, the particulars of important events and indications of likely future development in the Group's business have been included in the "Letter to Shareholders" and "Management Discussion and Analysis" sections of this Annual Report which form part of this report.

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 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 drug 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 research and development 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. The Group has a designated production and quality assurance team to monitor product quality in each 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. Further details on "Risk Management and Internal Control" are set out in the Corporate Governance Report of the Annual Report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is primarily engaged in manufacturing generic drugs and proprietary medicines, a line of business that does not have any material impact on the environment. The key environmental impacts from the Group's operation are 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 is in compliance with the applicable laws and regulations which have significant impacts on the Group in all material respects.

BUSINESS REVIEW (Continued)

KEY RELATIONSHIPS

Customers

The Group is fully aware that as a pharmaceutical manufacturer, it is our key focus to ensure our products are safe, effective and of high quality to our customers. To ensure the quality of products, the Group is fully implementing GMP in accordance with the PIC/S GMP Guide set forth by the Pharmacy and Poisons Board of Hong Kong since 1 October 2015. The Group also established product recall procedures with reference to the Pharmaceutical Products Recall Guidelines issued by the Department of Health of Hong Kong. The Group also designates sales management team to establish and maintain contact with the customers. Our sales representatives conduct regular meetings with key customers to understand the need of the customers and introduce new products to our customers. Customer complaints received by sales representatives will be escalated to management team and be handled accordingly with the aim to achieve customer satisfaction.

Employees

Human resources are crucial to the continued success of the Group. The Group has provided staff with different kinds of benefit and staff compensation. For the personal training and development of our employees, the Group nominates employees to participate in internal and external training and development programs. Employees can also initiate application for training sponsorship for attending different courses to enhance their professional and management skills and knowledge. The Group also provides general training on manufacturing skills, equipment operation, GMP and PIC/S standards to our production staff. Details of our remuneration policy are set out in the "Remuneration Policy" section in the "Management Discussion and Analysis" section.

Suppliers

Quality of products is the most important aspect of the Group and the Group delegates product quality control to our quality assurance department and quality control department, which are mainly responsible for carrying out all necessary and relevant tests on raw materials, intermediate products and finished products. The Group also designates teams responsible for the purchasing of raw materials and vendor approval process is required for our major suppliers of key raw materials for generic drugs, for example on-site audit or audit by questionnaire, and regular monitoring. The Group monitors our suppliers for any incidents or regulatory warnings and also maintains long-term relationships with suppliers of raw materials of proprietary drugs.

Further details are set out in the "Environmental, Social and Governance Report" of this Annual Report.

RESULTS AND DIVIDENDS

The Group's profits for the year ended 31 March 2017 and the Group's financial position at that date are set out in the financial statements on pages 61 to 116 of this Annual Report.

On 23 June 2017, the Board recommended the payment of a final dividend of HK1.4 cents per share for the year ended 31 March 2017 (2016: not applicable). The recommended final dividend, which is subject to the approval of the Company's shareholders at the AGM to be held on 8 September 2017, is expected to be paid on 28 September 2017 to shareholders whose names appear on the register of members of the Company at the close of business on 15 September 2017. These financial statements do not reflect the impact of the recommended final dividend payable. Including the interim dividend of HK0.8 cent per share paid on 20 January 2017, the total dividend for the full year ended 31 March 2017 amounts to HK2.2 cents per share (2016: not applicable).

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last four financial years, is set out on page 117. This summary does not form part of the audited financial statements.

ISSUANCE OF SHARES

On Listing Date, the Company issued 437,500,000 ordinary shares at an offer price of HK$1.5 per share through public offering on the Stock Exchange, and on 6 October 2016, the Company allotted 65,625,000 ordinary shares upon the exercise of over-allotment option at the price of HK$1.5 per share, all of which have been listed on the Main Board, raising gross proceeds of HK$656.3 million and HK$98.4 million respectively. Details on the use of net proceeds are set out in the "Management Discussion and Analysis" section.

Details of the share capital and shares issued are set out in note 21 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The reserves available for distribution to the shareholders by the Company at 31 March 2017 consisted of share premium, distributable reserve and retained profits totaling HK$921,928,000. Movements in the reserves of the Company and the Group during the year are set out in note 22 to the consolidated financial statements on page 99 and the Consolidated Statement of Changes in Equity on page 63 respectively.

PROPERTY INTEREST AND PROPERTY VALUATION

A valuer has valued the Group's property interests at 7 Dai Shun Street, Tai Po Industrial Estate, Tai Po, New Territories as of 30 June 2016. A summary of particulars of the relevant property interests, values and valuation certificates issued was included in "Appendix III – Property Valuation Report" of the Prospectus. The Group occupies the property pursuant to an assignment lease made with HKSTP. Pursuant to the terms of the lease, the Group may assign the property to a third party during the term of the lease, only after first offering to surrender the interest to HKSTP free from encumbrances and with vacant possession at a consideration calculated in accordance with a formula set forth in the lease. In the event that the offer is not accepted by HKSTP within six weeks, it shall be deemed to have been rejected and the Group may dispose of the property by way of assignment subject to the conditions set out in the lease. As a result, the market value of such property as of 30 June 2016 as shown in the property valuation report was approximately HK$3.4 million, which was calculated as if the property had been surrendered to and accepted by HKSTP at the date of valuation at a consideration calculated in accordance with the formula set forth in the lease. The Group's generic drugs business has been profitable during the Reporting Period and the Group utilises this property for production of generic drugs. The Group has no intention to surrender this property to HKSTP. Therefore, the Group recorded the recoverable amount of this property based on its value-in-use, which is higher than the net book value. As a result, no impairment is considered necessary and no additional depreciation would be charged against the consolidated statement of profit or loss and other comprehensive income had the property been stated at such valuation given the current condition of the property.

BORROWINGS

Particulars of borrowings of the Group as at 31 March 2017 are set out in note 19 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange throughout the period from the Listing Date to 31 March 2017.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Mr. Sum Kwong Yip, Derek* *(Chairman and Chief Executive Officer)*	(appointed as a director on 16 February 2016 and re-designated as an executive Director and appointed as the Chairman and Chief Executive Officer on 1 April 2016)
Mr. Yim Chun Leung*	(appointed on 1 April 2016)
Ms. Pun Yue Wai*	(appointed on 1 February 2017)
Mr. Lo Chun Bun*	(appointed on 16 February 2016 and resigned on 1 February 2017)
Professor Lam Sing Kwong, Simon^	(appointed on 11 April 2016)
Dr. Lam Kwing Tong, Alan**	(appointed on 30 August 2016)
Professor Chow Hee Lum, Albert**	(appointed on 30 August 2016)
Mr. Young Chun Man, Kenneth**	(appointed on 30 August 2016)

* Executive Director
^ Non-executive Director
** Independent non-executive Director

In accordance with the provisions of the Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. All the directors appointed by the Board shall then be eligible for re-election at the AGM. At the AGM, all Directors will retire and, being eligible, offer themselves for re-election.

During the year, Mr. Lo Chun Bun tendered his written resignation as an executive Director of the Company with effect from 1 February 2017 due to health reason. He confirmed that he had no disagreement with the Board and that there were no matters that needed to be brought to the attention of the holders of securities of the Company in relation to his resignation.

Save as disclosed above, there was no other Director of the Company tendering resignation, refusing to stand for re-election to office, nor the Company has received any notice in writing from any Director specifying that the resignation or refusal is due to reasons relating to the affairs of the Company.

Pursuant to Rule 3.13 of the Listing Rules, the Company has received a written annual confirmation of independence from each of the existing independent non-executive Directors confirming that they had met the independence guidelines set out in Rule 3.13 of the Listing Rules during the Reporting Period, and as such the Company considered them to be independent.

CHANGE OF INFORMATION ON DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes and updated information regarding the Directors of the Company since the Company's last published interim report and up to the date of this annual report are set out below:

(a) **Mr. Lo Chun Bun**, an executive Director of the Company, has resigned as an executive Director of the Company and a member of the remuneration committee of the Company with effect from 1 February 2017;

(b) **Ms. Pun Yue Wai**, an executive Director of the Company, has been appointed as an executive Director of the Company and a member of the remuneration committee of the Company with effect from 1 February 2017; and

(c) **Mr. Young Chun Man, Kenneth**, an independent non-executive Director of the Company, resigned as an independent non-executive director of Quam Limited (a company listed on the Main Board, stock code: 952) with effect from 23 February 2017.

DIRECTORS' BIOGRAPHIES

(A) EXECUTIVE DIRECTORS

Mr. Sum Kwong Yip, Derek ("Mr. Sum"), aged 54, is the founder of the Group. He is also an executive Director, chairman of the Board and the chief executive officer since 1 April 2016 and chairman of the award committee of the Company since 19 October 2016, mainly responsible for overall strategic planning and operation management of the Group. He is also a director of both Queenshill Development Limited and Kingshill Development Limited. He also spearheads the planning of our product development and technological research functions. Mr. Sum joined the Group in September 1998 as managing director, mainly responsible for business management and strategic development. Mr. Sum has around 29 years of sales and corporate management experience in the pharmaceutical industry. Prior to joining the Group, Mr. Sum held various management positions with multi-national corporations. He started his career in pharmaceutical industry with Sandoz Division of Edward Keller Limited in April 1988 and moved on to take up a management position with Watsons Pharmaceutical Limited under Hutchison Whampoa Limited in November 1988. In 1990, Watsons Pharmaceutical Limited was renamed as JDH Pharmaceutical Limited. Since then, Mr. Sum had worked in the Inchcape Group and he was the chief executive of Hong Kong and China of the pharmaceutical division under Inchcape JDH Limited back in 1998 before he embarked upon his entrepreneurial pursuit with the Group. Mr. Sum has been a member of the advisory committee of the school of pharmacy of The Chinese University of Hong Kong since June 2007.

Mr. Sum graduated from Cardiff University (formerly known as the University of Wales) in the United Kingdom with an honorary bachelor's degree in pharmacy in July 1986 and was accredited as a practicing member of The Royal Pharmaceutical Society of Great Britain in August 1987. He was admitted into the registrar as a registered pharmacist under the Pharmacy and Poisons Board of Hong Kong in October 1987.

Mr. Yim Chun Leung ("Mr. Yim"), aged 55, is an executive Director since 1 April 2016, a member of the nomination committee since 21 September 2016 and the award committee of the Company since 19 October 2016. Mr. Yim joined the Group in September 2008 and is also a director of Jacobson Pharma Group (BVI) Limited under the Group. Mr. Yim is mainly responsible for corporate management, strategic development and investor relationship functions of our Group. Mr. Yim has over 30 years of experience in the auditing, accounting and corporate finance fields. He has served and been serving in numerous companies listed on the Main Board. Mr. Yim has been serving as an independent non-executive director of China New City Commercial Development Limited (stock code: 1321) since May 2014 and served as an executive director of LVGEM (China) Real Estate Investment Company Limited (stock code: 95) from December 2004 and its chief executive officer from July 2014, respectively until he resigned in March 2016. From May 2002 to June 2004, Mr. Yim served as the financial controller of Soundwill Holdings Limited (stock code: 878). From December 2000 to February 2002, Mr. Yim served as the chief financial officer of Sinolink Worldwide Holdings Limited (stock code: 1168). From January 1998 to April 1999, Mr. Yim served as an executive director of N P H International Holdings Limited (currently known as Concord New Energy Group Limited, stock code: 182). From January 1994 to January 1998, Mr. Yim served as the finance director of Tysan Holdings Limited (currently known as Hong Kong International Construction Investment Management Group Co., Limited, stock code: 687).

Mr. Yim obtained a degree of master of business administration from the University of Manchester in the United Kingdom in June 2008. He has been a non-practicing member of the Hong Kong Institute of Certified Public Accountants since January 1991, a fellow of the Association of Chartered Certified Accountants since October 1995 and an associate of the Institute of Chartered Accountants in England and Wales since April 2005. Mr. Yim is the brother-in-law of Professor Lam Sing Kwong, Simon.

Ms. Pun Yue Wai ("Ms. Pun"), aged 65, is an executive Director and a member of the remuneration committee of the Company since 1 February 2017. She is also a vice president of the Company and is mainly in charge of the administration function of the Group. Ms. Pun has joined the Group since August 1998 and is one of the longest-serving employees of the Group. Since joining the Group, Ms. Pun has held various management positions within the Group.

DIRECTORS' BIOGRAPHIES (Continued)

(B) NON-EXECUTIVE DIRECTOR

Professor Lam Sing Kwong, Simon ("Professor Lam"), aged 58, was appointed as a non-executive Director of the Company on 11 April 2016, mainly responsible for advising the Board on corporate strategies and governance development. Professor Lam is currently a professor of Management at the Faculty of Business and Economics of the University of Hong Kong. Professor Lam obtained a doctorate degree in commerce from the Faculty of Economics and Commerce at the Australian National University in April 1996. Professor Lam has published a number of academic papers and case analyses on the topics of corporate strategy, organization development and operations management. Before joining the University of Hong Kong, Professor Lam worked as a regional support manager of a bank.

He has extensive experience in corporate management, strategic development of organizations and corporate finance.

Professor Lam is currently an independent non-executive director of Overseas Chinese Town (Asia) Holdings Limited (stock code: 3366), Sinomax Group Limited (stock code: 1418) and Kwan On Holdings Limited (stock code: 1559), and he also was an independent non-executive director of Glory Flame Holdings Limited (stock code: 8059) from 2 August 2014 to 22 March 2016. From 10 June 2013 to 29 July 2016, he was an independent non-executive director of Beijing Enterprise Clean Energy Group Limited (stock code: 1250). From 8 December 2014 to 22 April 2016, he was an independent non-executive director of Chun Sing Engineering Holdings Limited, whose company name was changed to Huarong Investment Stock Corporation Limited with effect from 30 September 2016, (stock code: 2277) and from 31 July 2014 to 24 June 2016, he was an independent non-executive director of King Force Group Holdings Limited (stock code: 8315), the issued shares of which are listed on the Main Board or GEM of the Stock Exchange. Professor Lam is the brother-in-law of Mr. Yim Chun Leung.

(C) INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lam Kwing Tong, Alan ("Dr. Lam"), aged 54, is an independent non-executive Director of the Company since 30 August 2016, the chairman of the remuneration committee and a member of the audit committee and the nomination committee respectively of the Company since 21 September 2016. Dr. Lam has been running his private general dental practice in Hong Kong since 1998. Prior to that, Dr. Lam started his own dental practice in April 1989 in London and he sold his dental business in April 1994.

Dr. Lam graduated from the University of Glasgow in the United Kingdom with a bachelor of dental surgery degree in December 1987. He obtained the diploma of member in general dental surgery from the Royal College of Surgeons of Edinburgh in November 1999. Dr. Lam was granted a Diploma of membership in general dentistry by The College of Dental Surgeons of Hong Kong in November 2013.

Professor Chow Hee Lum, Albert ("Professor Chow"), aged 60, is an independent non-executive Director of the Company since 30 August 2016, the chairman of the nomination committee and a member of the audit committee of the Company since 21 September 2016. Professor Chow has successively served as an assistant professor, associate professor and professor at School of Pharmacy of The Chinese University of Hong Kong since August 1992, where he was mainly responsible for teaching and research. Professor Chow has more than 30 years of teaching and research experience in drug formulation and pharmaceutical material engineering and characterization. He served as a senior research pharmacist at department of pharmaceutical science and technology of Glaxo Canada Inc. from April 1992 to August 1992. He served as an assistant professor at Faculty of Pharmaceutical Science of University of British Columbia from July 1987 to March 1992.

Professor Chow obtained a Ph.D. in physical pharmaceutics and a master of science degree in pharmaceutical chemistry from the University of Toronto in Canada in June 1987 and November 1982, respectively, and a degree of bachelor of pharmacy with honors from University of Bradford in the United Kingdom in July 1979. Professor Chow received the Pharmacy Examining Board of Canada certification in November 1981 and has been a registered pharmacist in the United Kingdom and Hong Kong since July 1980 and September 1992 respectively. Professor Chow currently totally holds two patents registered in the United States, United Kingdom, Germany, Canada and Hong Kong and has filed three non-provisional patent applications in the United States. Professor Chow has been a member of The Royal Pharmaceutical Society of Great Britain since July 1980.

DIRECTORS' BIOGRAPHIES (Continued)

(C) INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. Young Chun Man, Kenneth ("Mr. Young"), aged 53, is an independent non-executive Director of the Company since 30 August 2016, the chairman of the audit committee and a member of the remuneration committee and the nomination committee respectively of the Company since 21 September 2016. Mr. Young is the founder and director of AITIA (HK) CPA LIMITED, a member of TGS Global, since January 2015. Mr. Young is mainly responsible for developing strategies for the growth of the practice, and to implement proper governance and risk management. He has over 16 years of professional experience in audit and accounting fields as a partner at HLB Hodgson Impey Cheng (formerly known as Hodgson Impey Cheng) from September 1994 to March 2011. Mr. Young was an independent non-executive director of Quam Limited (華富國際控股有限公司) (a company listed on the Main Board, stock code: 952, whose company name has been proposed to be changed to China Oceanwide International Financial Limited subject to its shareholders' approval on 29 June 2017) since September 2012 until February 2017. He has also been serving as a member of the audit committee and a council member of SAHK (香港耀能協會), a charitable organization, since 2013 and 2015, respectively.

Mr. Young obtained a degree of master of corporate finance from The Hong Kong Polytechnic University in November 2004 and a degree of bachelor of arts in economics from University of Essex in the United Kingdom in July 1985. Mr. Young was qualified as a Chartered Accountant in England and Wales in August 1991. He was admitted fellowship of The Hong Kong Institute of Certified Public Accountants in December 2004, and first obtained his Practising Certificate in April 1993. Mr. Young has also been a fellow of The Institute of Chartered Accountants in England and Wales since January 2002, a fellow of The Taxation Institute of Hong Kong since June 2009, a fellow of The Hong Kong Institute of Directors since April 2009, a certified tax adviser of The Taxation Institute of Hong Kong since April 2010 and an ordinary member of the Society of Chinese Accountants & Auditors since 11 December 2015. Mr. Young was a member of the Hong Kong Securities and Investment Institute from 1998 to September 2014 and also held various committee member positions with The Hong Kong Institute of Certified Public Accountants from 1998 to 2014.

DIRECTORS' EMOLUMENTS

Details of the emoluments of the Directors on a named basis are set out in note 6 to the consolidated financial statements.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transactions, arrangements and contracts that was significant in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which any Director of the Company and the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

INTERESTS IN COMPETING BUSINESS

None of the Directors of the Company had interests in other business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years from 30 August 2016, except Ms. Pun Yue Wai, whose initial term is for two years from 1 February 2017, which shall be terminated by either party giving to the other party at least three months' notice in writing. Each of the non-executive Directors, including the independent non-executive Directors, has entered into a letter of appointment with the Company for a term of three years from 30 August 2016, which shall be terminated earlier by either party serving on the other party one month's notice in writing.

None of the Directors proposed for re-election at the AGM is a party to any service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the Reporting Period.

EQUITY-LINKED AGREEMENTS

SHARE OPTION SCHEME

The Share Option Scheme of the Company was adopted by shareholders of the Company on 30 August 2016 and no share option under the Share Option Scheme has been granted or agreed to be granted during the period from the date of adoption up to 31 March 2017.

A summary of the Share Option Scheme is as follows:

The purpose of the Share Option Scheme is to provide an incentive for the qualified participants to work with commitment towards enhancing the value of our Company and its shares for the benefit of its shareholders, and to maintain or attract business relationship with the qualified participants whose contributions are or may be beneficial to the growth of our Group.

The participants of the Share Option Scheme include any directors, employees (whether full-time or part-time) of the Group, and any customer, business or joint venture partner, advisor, consultant, supplier, agent, service provider of our Group or any full-time employee of them, who the Directors consider, in their sole discretion, has contributed or will contribute to our Group.

The life of the Share Option Scheme is ten years commencing on 30 August 2016 and expiring on 29 August 2026. The total number of shares available for issue under the Share Option Scheme was 175,000,000 shares representing approximately 9.64% of the issued shares of the Company as at the date of this annual report.

There is no minimum period for which any option under the Share Option Scheme must be held before it can be exercised and no performance target which need to be achieved by a grantee before the option can be exercised unless the Directors otherwise determined and stated in the offer letter of the grant of options.

An offer of the grant of option shall remain open (not exceeding 30 days, inclusive of, and from, the date of offer as the Directors may determine for acceptance by a grantee at a consideration of HK$1 for the grant.

The maximum entitlement of each participant under the Share Option Scheme if the acceptance of those options would result in the total number of shares issued and to be issued to that grantee on exercise of his/her options (including both exercised and outstanding options) during any 12-month period exceeding 1% of the total shares of the Company then in issue.

The subscription price shall be a price determined by the Directors but in any event shall be at least the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets on the date of offer; (ii) the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of the shares of the Company.

Since the effective date of the Share Option Scheme and up to the end of the Reporting Period, no share option had been granted, exercised or cancelled by the Company under the Share Option Scheme and there was no outstanding share option under the Share Option Scheme as at the date of this annual report.

EQUITY-LINKED AGREEMENTS (Continued)

SHARE INCENTIVE SCHEME

The Share Incentive Scheme of the Company was adopted by shareholders of the Company on 30 August 2016. During the period from the date of adoption up to the date of this Annual Report, subject to the restriction terms (where applicable), grantees (including employees of our Group, directors of certain subsidiaries of the Group and certain executive Directors of the Company) were granted share awards entitling the grantees to acquire an aggregate of 20,566,000 ordinary shares of the Company on 19 October 2016, 20 January 2017 and 19 April 2017 respectively. The number of ordinary shares acquired by Directors under the Share Incentive Scheme up to the date of this Annual Report are as follows:

Name of Executive Director	The number of ordinary shares of the Company acquired under the Share Incentive Scheme on the respective dates of grant			
	19 October 2016	20 January 2017	19 April 2017	Total
Mr. Yim Chun Leung	9,000,000	–	6,000,000	15,000,000
Ms. Pun Yue Wai[1]	1,000,000	220,000	–	1,220,000
Mr. Lo Chun Bun[2]	500,000	160,000	N/A	660,000
	10,500,000	380,000	6,000,000	16,880,000

[1] Appointed on 1 February 2017
[2] Resigned on 1 February 2017

Further information on the accounting policy for the share awards granted in the Reporting Period under the Share Incentive Scheme and the values of them are set out in notes 1(R)(ii) and 26 to the consolidated financial statements respectively.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the Share Option Scheme and the Share Incentive Scheme, at no time during the Reporting Period was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate.

DEED OF NON-COMPETITION

On 30 August 2016, the Controlling Shareholders of the Company have entered into a Deed of Non-competition in favor of the Company, pursuant to which the Controlling Shareholders have undertaken to the Group that they would not, and would procure that none of their associates (other than any members of the Group) will directly or indirectly engage in any business which competes or is likely to compete, directly or indirectly, with the Group's business in Hong Kong or any other places in which our Group carried on business (the "Restricted Business").

If there is any new business opportunity in the Restricted Business, the Controlling Shareholders shall refer such new business opportunities to the Group within seven (7) days. Such business opportunity shall have first been offered or made available to the Group and be considered by the independent non-executive Directors or its committees which do not have a material interest in the business opportunity. Each of the Controlling Shareholders shall not invest, participate, be engaged in and/or operate in such business opportunity unless the Board or its committees have declined in writing or failed to respond within six (6) months after being notified of such opportunity.

The Controlling Shareholders have undertaken to the Company that they will, and will procure their respective associates to use their best endeavors to, provide all necessary information for the annual review by the independent non-executive Directors for the enforcement of the Deed of Non-competition and that they will make annual declaration in the annual report on their compliance with the Deed of Non-competition.

The Controlling Shareholders confirmed that they have complied with the Deed of Non-competition for the year ended 31 March 2017. The independent non-executive Directors have conducted a review for the year ended 31 March 2017 and also reviewed the relevant undertakings and are satisfied that the Deed of Non-competition has been fully complied.

PERMITTED INDEMNITY PROVISION

Save for the Directors' and officers' liability insurance and the public offering of securities insurance coverages for the Directors and officers of the Group, no other permitted indemnity provision for the benefit of any Director or who had been a Director of the Company, or of its subsidiaries, where applicable, is in force.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to section 347 of the SFO and the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:

(I) INTERESTS IN SHARES OR UNDERLYING SHARES OF THE COMPANY

Name of Director	Capacity/Nature of Interest	Number of shares	Approximate percentage of issued share capital of the Company	Long position/ Short position/ Lending pool
Mr. Sum[1][2]	Interests in controlled corporation Settlor of trusts Beneficiary of trusts	1,294,180,000	71.28%	Long position
Mr. Yim Chun Leung	Beneficial owner	9,350,000	0.51%	Long position
Ms. Pun Yue Wai	Beneficial owner	1,220,000	0.07%	Long position
Dr. Lam Kwing Tong, Alan	Interests of children under 18 and/or spouse	364,000	0.02%	Long position

Notes:

[1] Mr. Sum is the sole shareholder of The Jacobson Pharma (PTC) Limited, being the trustee of the trust established for the purpose of holding the shares under the Share Incentive Scheme. Queenshill is the settlor of such trust. By virtue of the SFO, Mr. Sum and Queenshill are deemed to be interested in the 24,696,000 shares held by The Jacobson Pharma (PTC) Limited. Mr. Sum is also the sole shareholder of Queenshill.

[2] UBS Trustees (B.V.I) Limited, the trustee of The Kingshill Trust, holds the entire issued share capital of Kingshill Development Group Inc. ("Trust Co") through its nominee, UBS Nominees Limited. Trust Co holds the entire issued share capital of Kingshill. Kingshill in turn holds 850,684,000 shares in the Company. The Kingshill Trust is a discretionary trust established by Mr. Sum (as the settlor) with Mr. Sum and his family members as the discretionary beneficiaries (directly and through The Queenshill Trust). By virtue of the SFO, Mr. Sum, as the settlor and a discretionary beneficiary of The Kingshill Trust and The Queenshill Trust, is deemed to be interested in the 850,684,000 Shares held by Kingshill.

Save as disclosed above, so far as known to any Directors as at 31 March 2017, none of the Directors or chief executive of the Company or any of their close associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to section 347 of the SFO and the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2017, within the knowledge of the Directors, the following persons or corporations had or deemed or taken to have an interest or a short position in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of shares	Approximate percentage of issued share capital of the Company	Long position/ Short position/ Lending pool
Queenshill[1]	Beneficial owner Settlor of a trust	286,446,000	15.78%	Long position
Kingshill[2]	Beneficial owner Interest held jointly with another person	1,007,734,000	55.50%	Long position
Longjin[2]	Beneficial owner Interest held jointly with another person	1,007,734,000	55.50%	Long position
Trust Co[3]	Trust holding company	1,007,734,000	55.50%	Long position
UBS Trustees (B.V.I.) Limited[3]	Trustee	1,007,734,000	55.50%	Long position
Mr. Lau[2]	Interest in controlled corporation	1,007,734,000	55.50%	Long position
Mr. Sum[1][3]	Interest in controlled corporation Settlor of trusts Beneficiary of trusts	1,294,180,000	71.28%	Long position

Notes:

[1] Mr. Sum is the sole shareholder of The Jacobson Pharma (PTC) Limited, being the trustee of the trust established for the purpose of holding the shares under the Share Incentive Scheme. Queenshill is the settlor of such trust. By virtue of the SFO, Mr. Sum and Queenshill are deemed to be interested in the 24,696,000 shares held by The Jacobson Pharma (PTC) Limited. Mr. Sum is also the sole shareholder of Queenshill.

[2] Kingshill and Longjin are parties acting in concert pursuant to the Deed of Acting in Concert and hence each of them is deemed to be interested in the Shares held by each others. Please refer to the section headed "Relationship with our Controlling Shareholders" of the Prospectus for further details. Kingshill is wholly-owned by Trust Co under The Kingshill Trust, a discretionary trust established by Mr. Sum (as the settlor). Longjin is owned as to 75% by Mr. Lau.

[3] UBS Trustees (B.V.I.) Limited, the trustee of The Kingshill Trust, holds the entire issued share capital of Trust Co through its nominee, UBS Nominees Limited. Trust Co holds the entire issued share capital of Kingshill. Kingshill in turn holds 850,684,000 Shares in the Company. The Kingshill Trust is a discretionary trust established by Mr. Sum (as the settlor) with Mr. Sum and his family members as the discretionary beneficiaries (directly and through The Queenshill Trust). By virtue of the SFO, each of Mr. Sum, UBS Trustees (B.V.I.) Limited, Trust Co and Kingshill is deemed to be interested in the 850,684,000 Shares held by Kingshill.

Save as disclosed above, as at 31 March 2017, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CONNECTED TRANSACTION

On 27 March 2017, Jean-Marie Pharmacal Company Limited (正美藥品有限公司) ("Jean-Marie"), an indirect wholly-owned subsidiary of the Company, entered into a beneficiary interests transfer agreement (the "Beneficiary Interests Transfer Agreement") with Mr. Sum, the chairman, executive Director and the chief executive officer and one of the controlling shareholders of the Company, pursuant to which Jean-Marie agreed to transfer 100% share of beneficiary interests in the life insurance policy under which Mr. Sum is the life insured with sum insured of US$10 million (the "Key Man Insurance Policy") to Mr. Sum for a consideration of HK$20,494,660 in cash. Upon completion, Jean-Marie will cease to be the sole beneficiary and Mr. Sum will be the sole beneficiary under the Key Man Insurance Policy. Since Mr. Sum is an executive Director and one of the controlling shareholders, hence Mr. Sum was a connected person of the Company, the entering of the Beneficiary Interests Transfer Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. For further details, please refer to the announcement dated 27 March 2017 of the Company.

CONNECTED TRANSACTION (Continued)

Save as disclosed above and connected transaction which is exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules, no other connected transaction that also falls under related party transactions in accordance with the applicable Hong Kong Financial Reporting Standards for preparing these financial statements, details of which are set out in note 30 to the consolidated financial statements. It is confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2017, the aggregate revenue attributable to the Group's five largest customers was 34.4% (2016: 35.1%) of the total revenue. The largest customer accounted for 27.4% (FY2016: 28.0%) of the Group's revenue.

For the year ended 31 March 2017, the aggregate purchases attributable to the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

To the best knowledge of the Directors, neither the Directors, their associates, nor any shareholders who own more than 5% of the Company's issued shares, had any beneficial interest in the Group's five largest customers during the Reporting Period.

REMUNERATION POLICY

Details of the Company's remuneration policy are set out in the section of "Management Discussion and Analysis" of this Annual Report.

RETIREMENT BENEFIT SCHEMES

Details of the Company's retirement benefit schemes are set out in note 4(B) to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued shares was held by the public as at the date of this report.

CHARITABLE DONATION

During the Reporting Period, the Group made a total of HK$1,010,000 (FY2016: HK$10,000) in charitable donations.

AUDITOR

Messrs. KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Messrs. KPMG as auditor of the Company is to be proposed at the forthcoming AGM.

On behalf of the Board

Sum Kwong Yip, Derek
Chairman
Hong Kong, 23 June 2017

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
JACOBSON PHARMA CORPORATION LIMITED
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Jacobson Pharma Corporation Limited ("the Company") and its subsidiaries ("the Group") set out on pages 61 to 116, which comprise the consolidated statement of financial position as at 31 March 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Acquisition accounting

Refer to note 24 to the consolidated financial statements and the accounting policies in notes 1(F) and 1(G).

The Key Audit Matter	How the matter was addressed in our audit
During the current year, the Group acquired (1) the entire equity interest in Cawah Holdings Limited and its subsidiary ("the Cawah Group") for a cash consideration of HK$100 million and (2) the entire equity interest in Victor Luck Limited and Happy Echo Limited and their subsidiaries ("the Victor Luck Group") for a cash consideration of HK$568 million and (3) the business of Ling Chi Medicine Company (Hong Kong) Limited ("Ling Chi") for a cash consideration of HK$9 million. The principal activities of the Cawah Group are the manufacturing and sale of generic drugs. The Victor Luck Group manufactures and sells both generic drugs and proprietary medicines. The business of Ling Chi is principally the manufacture and sale of proprietary medicines. The Group engaged external valuation experts to perform valuations of the fair values of the identifiable assets and liabilities acquired in these acquisitions. Assessing the fair values of the identifiable assets and liabilities acquired requires the exercise of significant judgement, in particular in respect of the identification of and valuation of previously unrecognised intangible assets. We identified acquisition accounting for the Cawah Group, the Victor Luck Group and Ling Chi as a key audit matter because of the significant judgements required in the valuations of identifiable assets and liabilities acquired, in particular in the identification of and valuation of previously unrecognised intangible assets.	Our audit procedures to assess the acquisition accounting for the Cawah Group, the Victor Luck Group and Ling Chi included the following: • inspecting the sales and purchase agreements with the vendors to understand the agreed terms and assessing the Group's acquisition accounting policies with reference to the requirements of the prevailing accounting standards; • inspecting evidence of payments of the consideration to the vendors of the acquisitions; • evaluating the experience, competence, objectivity and independence of the external valuation experts engaged by the Group to value the acquired assets and liabilities; • assessing the process for identifying intangible assets acquired and whether all applicable types of intangible assets had been considered with reference to the guidance in the prevailing accounting standards; • challenging the methodology and key assumptions adopted by the external valuation experts in the estimation of the fair value of each significant individual asset and liability acquired, which included discussing the valuation with management and comparing the key assumptions with market data, our knowledge of the business, including previous acquisitions of similar businesses, and the Group's business plans supporting the acquisitions; • engaging our internal valuation specialists to assist us in assessing the methodology applied in the valuations with reference to the requirements of the prevailing accounting standards and in assessing the discount rate adopted by benchmarking against other comparable companies; • assessing the disclosures in the consolidated financial statements in respect of the acquisitions with reference to the requirements of the prevailing accounting standards.

Key Audit Matters (Continued)

Assessing potential impairment of intangible assets

Refer to note 12 to the consolidated financial statements and the accounting policies in note 1(L).

The Key Audit Matter	How the matter was addressed in our audit
The carrying value of the Group's intangible assets as at 31 March 2017 totalled HK$1,057 million, which included goodwill of HK$355 million. Management allocates intangible assets, including goodwill, to separately identifiable cash generating units ("CGUs") and assesses if there are any indicators of impairment of these CGUs. If any indicators of impairment are identified management will estimate the recoverable amounts of the CGUs using the discounted cash flow method. For goodwill, intangible assets with indefinite useful lives and intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there are any indications of impairment. Management exercises significant judgement in determining certain key assumptions, including gross margins and the discount rates applied, when preparing the discounted cash flows. We identified assessing potential impairment of intangible assets as a key audit matter because of the significance of intangible assets to the Group's total assets and because the assessment of potential impairment of intangible assets requires significant management judgement, particularly in estimating the future cash flows, which may be inherently uncertain, and in determining an appropriate discount rate, which could be subject to management bias.	Our audit procedures to assess the potential impairment of intangible assets included the following: • evaluating management's identification of CGUs and the allocation of assets to each relevant CGU and assessing the methodology applied by management in its impairment assessments with reference to the requirements of the prevailing accounting standards; • challenging the key assumptions adopted by management in its preparation of the discounted cash flow forecasts by referring to industry and other available third party information, the recent financial performance of each relevant CGU subject to impairment assessment and management's plans for future operations; • assessing the discount rates used in the discounted cash flow forecasts by benchmarking against other comparable companies and considering the risks specific to each relevant CGU subject to impairment assessment; • obtaining from management sensitivity analyses of the key assumptions, including gross margins, adopted in the discounted cash flow forecasts to evaluate the impact on the headroom for each relevant CGU subject to impairment assessment and assessing the impact of changes in the key assumptions to the conclusions reached and whether there are any indicators of management bias; • comparing the key assumptions included in the discounted cash flow forecasts prepared in the prior year with the current year's performance of each relevant CGU subject to impairment assessment to assess how accurate the prior year's discounted cash flow forecasts were and making enquiries of management as to the reasons for any significant variations identified and whether these have been considered in the current forecasts; • assessing the disclosures in the consolidated financial statements in respect of management's impairment assessment with reference to the requirements of the prevailing accounting standards.

Information Other Than the Consolidated Financial Statements and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

– Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yu Wai Sum.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
23 June 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2017 (Expressed in Hong Kong dollars)

		Year ended 31 March	
	Note	**2017** **HK$'000**	2016 HK$'000
Revenue	2	**1,255,957**	1,083,856
Cost of sales		**(699,069)**	(596,101)
Gross profit		**556,888**	487,755
Other income/(loss)	3	**11,740**	(465)
Selling and distribution expenses		**(145,350)**	(133,807)
Administrative and other operating expenses		**(188,036)**	(167,963)
Profit from operations		**235,242**	185,520
Finance costs	4(A)	**(13,996)**	(2,523)
Profit before taxation	4	**221,246**	182,997
Income tax	5(A)	**(39,986)**	(30,335)
Profit for the year		**181,260**	152,662
Item that may be reclassified to profit or loss:			
Exchange differences on translation of financial statements of operations outside Hong Kong		**(1,845)**	(2,355)
Other comprehensive income		**(1,845)**	(2,355)
Total comprehensive income for the year		**179,415**	150,307
Profit attributable to:			
Shareholders of the Company		**179,328**	145,610
Non-controlling interests		**1,932**	7,052
Total profit for the year		**181,260**	152,662
Total comprehensive income attributable to:			
Shareholders of the Company		**177,483**	143,255
Non-controlling interests		**1,932**	7,052
Total comprehensive income for the year		**179,415**	150,307
		HK cents	HK cents
Earnings per share attributable to shareholders of the Company:	8		
– Basic		**11.39**	11.13
– Diluted		**11.39**	11.13

The notes on pages 66 to 116 form part of these financial statements. Details of dividends payable to shareholders of the Company attributable to the profit for the year are set out in note 9.

Consolidated Statement of Financial Position

At 31 March 2017 (Expressed in Hong Kong dollars)

		As at 31 March	
	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	10	**1,007,672**	815,323
Leasehold land	11	**48,839**	51,418
Intangible assets	12	**1,056,801**	426,681
Non-current assets	13	**20,420**	27,170
Deferred tax assets	20	**2,423**	1,469
		2,136,155	1,322,061
Current assets			
Inventories	14	**261,313**	196,915
Trade and other receivables	15	**201,470**	209,957
Current tax recoverable		**11,444**	10,192
Cash and cash equivalents	17	**359,685**	82,925
		833,912	499,989
Current liabilities			
Trade and other payables	18	**108,141**	104,585
Bank loans	19	**937,486**	439,335
Obligations under finance leases	19	**149**	692
Amounts due to the Controlling Parties	16	**–**	36,202
Dividend payables	16	**–**	224,800
Current tax payable		**12,713**	11,221
		1,058,489	816,835
Net current liabilities		**224,577**	316,846
Total assets less current liabilities		**1,911,578**	1,005,215
Non-current liabilities			
Obligations under finance leases	19	**373**	522
Deferred tax liabilities	20	**138,887**	48,548
		139,260	49,070
NET ASSETS		**1,772,318**	956,145
CAPITAL AND RESERVES			
Share capital	21	**18,156**	13,125
Reserves	23	**1,731,247**	893,757
Total equity attributable to shareholders of the Company		**1,749,403**	906,882
Non-controlling interests		**22,915**	49,263
TOTAL EQUITY		**1,772,318**	956,145

Approved and authorised for issue by the board of directors on 23 June 2017.

Mr. Sum Kwong Yip, Derek
Director

Mr. Yim Chun Leung
Director

The notes on pages 66 to 116 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2017 (Expressed in Hong Kong dollars)

		Attributable to shareholders of the Company							
	Note	Share capital (Note 21)	Share premium (Note 23(A))	Capital reserve (Note 23(B))	Exchange reserve (Note 23(C))	Retained earnings	Total	Non-controlling interests	Total equity
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2015		2	78,005	61,724	8,142	809,470	957,343	49,292	1,006,635
Profit for the year		–	–	–	–	145,610	145,610	7,052	152,662
Other comprehensive income		–	–	–	(2,355)	–	(2,355)	–	(2,355)
Total comprehensive income for the year		–	–	–	(2,355)	145,610	143,255	7,052	150,307
Shares issued upon incorporation of the Company	21	1	–	–	–	–	1	–	1
Shares issued for share swap between the Company and JPG (BVI)	21	13,086	–	64,921	–	–	78,007	–	78,007
Elimination pursuant to the Reorganisation		(2)	(78,005)	–	–	–	(78,007)	–	(78,007)
Dividends declared in respect of the current year	9	–	–	–	–	(200,200)	(200,200)	–	(200,200)
Dividends paid by subsidiaries attributable to non-controlling interests		–	–	–	–	–	–	(598)	(598)
Acquisition of non-controlling interests	25	38	6,445	–	–	–	6,483	(6,483)	–
At 31 March 2016		13,125	6,445	126,645	5,787	754,880	906,882	49,263	956,145
At 1 April 2016		**13,125**	**6,445**	**126,645**	**5,787**	**754,880**	**906,882**	**49,263**	**956,145**
Profit for the year		**-**	**-**	**-**	**-**	**179,328**	**179,328**	**1,932**	**181,260**
Other comprehensive income		**-**	**-**	**-**	**(1,845)**	**-**	**(1,845)**	**-**	**(1,845)**
Total comprehensive income for the year		**-**	**-**	**-**	**(1,845)**	**179,328**	**177,483**	**1,932**	**179,415**
Shares issued under initial public offering and exercise of over-allotment option, net of share issuance expenses	21	**5,031**	**710,613**	**-**	**-**	**-**	**715,644**	**-**	**715,644**
Dividends declared in respect of the current year	9	**-**	**-**	**-**	**-**	**(14,525)**	**(14,525)**	**-**	**(14,525)**
Dividends paid by subsidiaries attributable to non-controlling interests		**-**	**-**	**-**	**-**	**-**	**-**	**(1,192)**	**(1,192)**
Acquisitions of non-controlling interests	25	**-**	**-**	**(36,081)**	**-**	**-**	**(36,081)**	**(27,088)**	**(63,169)**
At 31 March 2017		**18,156**	**717,058**	**90,564**	**3,942**	**919,683**	**1,749,403**	**22,915**	**1,772,318**

The notes on pages 66 to 116 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2017 (Expressed in Hong Kong dollars)

		Year ended 31 March	
	Note	**2017** **HK$'000**	2016 HK$'000
Operating activities			
Profit before taxation		**221,246**	182,997
Adjustments for:			
Depreciation and amortisation		**81,981**	69,928
Net loss on disposals of property, plant and equipment and leasehold land	3	**397**	4,931
Net gain on disposal of a subsidiary	3	**(2,393)**	–
Net gain on disposal of an intangible asset	3	**(1,212)**	–
Net gain on disposals of investments in key management insurance contracts	3	**(5,591)**	–
Finance costs	4(A)	**13,996**	2,523
Interest income from bank deposits	3	**(718)**	(8)
Other interest income	3	**(1,001)**	(3,169)
Insurance premium for key management insurance contracts		**1,350**	1,964
Operating profit before changes in working capital		**308,055**	259,166
Increase in inventories		**(48,815)**	(27,828)
Increase in trade and other receivables		**(44,480)**	(2,901)
(Decrease)/increase in trade and other payables		**(11,978)**	15,953
Cash generated from operations		**202,782**	244,390
Income tax paid		**(39,269)**	(22,940)
Net cash generated from operating activities		**163,513**	221,450
Investing activities			
Payment for purchase of property, plant and equipment and intangible assets		**(92,354)**	(134,143)
Proceeds from disposals of property, plant and equipment and leasehold land		**3,086**	412
Net cash inflow from disposal of a subsidiary		**3,523**	–
Proceeds from disposal of an intangible asset		**2,512**	–
Proceeds from disposals of investments in key management insurance contracts		**77,692**	–
Net cash outflow from acquisitions of non-controlling interests	25	**(63,169)**	–
Net cash outflow from acquisitions of subsidiaries under business combinations	24	**(651,138)**	–
Net cash outflow from acquisition of a subsidiary under asset acquisition		**(81,446)**	–
Interest received		**718**	8
Prepayment for a business acquisition		**(5,600)**	–
Net cash used in investing activities		**(806,176)**	(133,723)

	Note	Year ended 31 March 2017 HK$'000	2016 HK$'000
Financing activities			
Capital element of finance lease rentals paid		**(817)**	(2,722)
Proceeds from bank loans		**1,136,306**	473,517
Repayment of bank loans		**(640,132)**	(503,513)
Decrease in amounts due to the Controlling Parties		**(36,202)**	(16,990)
Borrowing costs paid		**(20,523)**	(15,480)
Gross proceeds from shares issued	21	**754,687**	–
Payment for share issuance expenses		**(33,359)**	–
Dividends paid		**(239,325)**	(1,800)
Dividends paid to non-controlling interests		**(1,192)**	(598)
Net cash generated from/(used in) financing activities		**919,443**	(67,586)
Net increase in cash and cash equivalents		**276,780**	20,141
Cash and cash equivalents at the beginning of the year		**82,925**	63,005
Effect of foreign exchange rate changes		**(20)**	(221)
Cash and cash equivalents at the end of the year	17	**359,685**	82,925

The notes on pages 66 to 116 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant Accounting Policies

(A) STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(E) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(B) BASIS OF PRESENTATION

The Group is principally engaged in manufacturing and trading of generic drugs and proprietary medicines.

Pursuant to a group reorganisation completed on 18 March 2016 (the "Reorganisation"), the Company became the holding company of companies now comprising the Group. The Company's shares were listed on the Main Board of the Stock Exchange on 21 September 2016.

Prior to the incorporation of the Company, the principal activities were carried out by Jacobson Pharma Group (BVI) Limited ("JPG (BVI)") and its subsidiaries. Upon completion of the Reorganisation, the Company became the holding company of the Group. As JPG (BVI) was controlled by the same group of equity holders, Mr. Sum Kwong Yip, Derek and Mr. Lau Wing Hung (referred to as the "Controlling Parties") before and after the Reorganisation and therefore there were no changes in the economic substance of the ownership and the business of the Group. The Reorganisation only involved inserting a newly formed entity with no substantive operations as the new holding company of JPG (BVI), the former holding company of the Group. Accordingly, the Reorganisation has been accounted for using a principle similar to that for a reverse acquisition, with JPG (BVI) treated as the acquirer for accounting purposes. The consolidated financial statements have been prepared and presented as a continuation of the consolidated financial statements of JPG (BVI) with the assets and liabilities of JPG (BVI) recognised and measured at their historical carrying amounts prior to the Reorganisation.

Intra-group balances and transactions are eliminated in full in preparing the consolidated financial statements.

The financial statements have been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group at 31 March 2017. The directors consider this basis of preparation is appropriate having regard to the following factors.

Among the current liabilities, there were bank loans contractually due for repayment after one year of HK$517,258,000 as at 31 March 2017 (2016: HK$227,299,000), but have been classified as current liabilities because the loan agreements include a clause that gives the banks the unconditional right to call the bank loans at any time ("repayment on demand clause") (see note 19(A)).

The directors do not expect the banks will demand repayment of these bank loans before maturity as the Group has good repayment records and has complied with the relevant covenants related to such banking facilities. In addition, the directors of the Company have carried out a detailed review of the working capital forecast of the Group for the period ending 30 September 2018. Based on the review, the directors consider the Group will have the necessary liquid funds to finance its working capital requirements and it will be able to meet its financial obligations as and when they fall due.

1 Significant Accounting Policies (Continued)

(C) ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 33.

(D) BASIS OF MEASUREMENT

The financial statements are prepared on the historical cost basis and presented in Hong Kong dollars ("HK$").

(E) CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(F) SUBSIDIARIES AND NON-CONTROLLING INTERESTS

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has the rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parities) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(O) or 1(P) depending on the nature of the liability.

1 Significant Accounting Policies (Continued)

(F) SUBSIDIARIES AND NON-CONTROLLING INTERESTS (Continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(L)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(G) GOODWILL

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses (see note 1(L)(ii)). Goodwill arising on a business combination is allocated to cash generating units, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(L)(ii)).

On disposal of a cash generating unit, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(H) PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(L)(ii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

– Machinery and equipment	10–20 years
– Furniture, fixtures and office equipment	4–20 years
– Motor vehicles	4–10 years
– Leasehold improvements	Shorter of the lease term or 9–10 years

1 Significant Accounting Policies (Continued)

(H) PROPERTY, PLANT AND EQUIPMENT (Continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(I) CONSTRUCTION-IN-PROGRESS

Construction-in-progress is stated at cost less impairment loss (see note 1(L)(ii)). Cost comprises direct costs of construction during the period of construction and installation. Capitalisation of these costs ceases and the construction-in-progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets of their intended use are substantially complete.

No depreciation is provided in respect of construction-in-progress until it is substantially complete and ready for its intended use.

(J) INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(L)(ii)). Amortisation of intangible assets with finite lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Unpatented drugs	30 years
– Customer relationship	15–20 years
– Capitalised development costs	30 years
– Software	5–10 years

Both the period and method of amortisation are reviewed annually.

Memberships represent a capital note certificate of a school and a club membership. Memberships and trademarks which useful lives are assessed to be indefinite, are not amortised and are stated at cost less impairment losses (see note 1(L)(ii)). Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if it can be demonstrated that the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labor, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 1(W)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(L)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

1 Significant Accounting Policies (Continued)

(K) LEASED ASSETS

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in the property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(H). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(L)(ii). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

The cost of acquiring land held under an operating lease and land use rights are amortised on a straight-line basis over the period of the lease term, ranging from 20 to 107 years.

(L) IMPAIRMENT OF ASSETS

(i) Impairment of trade and other receivables

Trade and other receivables stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, i.e. the effective interest rate computed at initial recognition of these assets, where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

1 Significant Accounting Policies (Continued)

(L) IMPAIRMENT OF ASSETS (Continued)

(i) Impairment of trade and other receivables (Continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, the recovery of which is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except to the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased.

- property, plant and equipment;
- leasehold land; and
- intangible assets.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, if measurable, or value in use, if determinable.

1 Significant Accounting Policies (Continued)

(L) IMPAIRMENT OF ASSETS (Continued)

(ii) Impairment of other assets (Continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(L)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(M) INVENTORIES

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first in first out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When the inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(N) TRADE AND OTHER RECEIVABLES AND INVESTMENTS IN KEY MANAGEMENT INSURANCE CONTRACTS

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(L)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

The investments in key management insurance contracts are initially recognised at fair value and thereafter stated at amortised cost using effective interest method, based on the expected life of the contracts, less impairment (see note 1(L)(i)).

(O) INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fee payable, using the effective interest method.

1 Significant Accounting Policies (Continued)

(P) TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(Q) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(R) EMPLOYEE BENEFITS

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, staff welfare costs and contributions to defined contribution retirement schemes are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. The employee benefits are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(ii) Share-based payment arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(S) INCOME TAX

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

1 Significant Accounting Policies (Continued)

(S) INCOME TAX (Continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(T) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

In the normal course of business, the Group is subject to contingencies, including legal proceedings and claims arising out of business that relate to a wide range of matters, including among others, product liability. The Group records accruals for such contingency based upon the assessment of the probability of occurrence and, where determinable, an estimate of the liability. The Group may consider many factors in making these assessments including past history and the specifics of each matter. Any increase or decrease in the provision would affect profit or loss in future years.

1 Significant Accounting Policies (Continued)

(U) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised in profit or loss when goods are delivered and the related risks and rewards of ownership are passed to customers. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts and sales returns. Accumulated experience is used to estimate and provide for sales returns at time of sales.

(ii) Commission income

Commission income is recognised in profit or loss when the services are rendered.

(iii) Interest income

Interest income is recognised in profit or loss as it accrues using the effective interest method.

(V) TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of operations outside Hong Kong are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an operation outside Hong Kong, the cumulative amount of the exchange differences relating to that operation outside Hong Kong is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(W) BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(X) RELATED PARTIES

(1) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

1 Significant Accounting Policies (Continued)

(X) RELATED PARTIES (Continued)

(2) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (1).

(vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(Y) SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Revenue and segment reporting

(A) REVENUE

The principal activities of the Group are manufacturing and trading of generic drugs and proprietary medicines.

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

2 Revenue and Segment Reporting (Continued)

(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 distributes a host of off-patent medicines for various therapeutic use. Currently the activities in this regard are primarily carried out in Hong Kong.

- Proprietary Medicines: this segment develops, manufactures and distributes medicines. 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 interest expenses and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA the Group's earnings are further adjusted for 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 these financial statements.

(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 is set out below.

	Generic Drugs		**Proprietary Medicines**		**Total**	
	Year ended 31 March		**Year ended 31 March**		**Year ended 31 March**	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**1,097,574**	944,753	**158,383**	139,103	**1,255,957**	1,083,856
Reportable segment profit (adjusted EBITDA)	**298,545**	238,706	**30,373**	22,491	**328,918**	261,197

Public Sector refers to all public sector institutions and a number of public institutions and clinics in Hong Kong. Private Sector refers to customers not included in Public Sector, which primarily encompasses private hospitals, registered pharmacies, doctors in private and retail outlets.

2 Revenue and Segment Reporting (Continued)

(B) SEGMENT REPORTING (Continued)

(i) Segment revenue and results (Continued)

Information regarding the Group's revenue by business segment and market for the year is set out below:

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Generic Drugs		
Public Sector	**344,711**	303,345
Private Sector	**752,863**	641,408
Generic Drugs subtotal	**1,097,574**	944,753
Proprietary Medicines	**158,383**	139,103
Total	**1,255,957**	1,083,856

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

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Revenue		
Revenue from external customers	**1,255,957**	1,083,856
Profit		
Reportable segment profit derived from Group's external customers	**328,918**	261,197
Interest income from bank deposits	**718**	8
Other interest income	**1,001**	3,169
Net gain on disposal of a subsidiary	**2,393**	–
Net gain on disposal of an intangible asset	**1,212**	–
Net gain on disposals of investments in key management insurance contracts	**5,591**	–
Listing expenses	**(22,610)**	(8,926)
Depreciation and amortisation	**(81,981)**	(69,928)
Finance costs	**(13,996)**	(2,523)
Consolidated profit before taxation	**221,246**	182,997

(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 the ultimate customers by the Group, the consignees or the distributors.

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Revenue from external customers		
Hong Kong (place of domicile)	**1,174,942**	994,206
China	**31,014**	40,850
Macau	**30,661**	27,743
Singapore	**7,935**	11,943
Others	**11,405**	9,114
	1,255,957	1,083,856

2 Revenue and Segment Reporting (Continued)

(B) SEGMENT REPORTING (Continued)

(iii) Geographic information (Continued)

The following table sets out information about the geographical location of the Group's property, plant and equipment, leasehold land, intangible assets and prepayment for purchase of non-current assets ("specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and leasehold land and the location of the operation to which they are allocated, in the case of intangible assets and non-current prepayments.

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
Specified non-current assets		
Hong Kong (place of domicile)	**2,103,052**	1,266,309
China	**30,532**	37,486
Macau	**148**	–
Singapore	**–**	1
	2,133,732	1,303,796

(iv) Information about major customers

For the year ended 31 March 2017, the Group's customer base includes one customer of Generic Drugs segment with whom transactions have exceeded 10% of the Group's revenue. Revenue from sales of generic drugs to this customer, including sales to entities which are known to the Group to be under common control amounted to approximately HK$344,711,000 (2016: HK$303,345,000).

3 Other Income/(Loss)

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Commission income	**523**	463
Interest income from bank deposits	**718**	8
Other interest income	**1,001**	3,169
Net foreign exchange (loss)/gain	**(67)**	243
Net loss on disposals of property, plant and equipment	**(397)**	(4,931)
Net gain on disposal of a subsidiary	**2,393**	–
Net gain on disposal of an intangible asset	**1,212**	–
Net gain on disposals of investments in key management insurance contracts	**5,591**	–
Others	**766**	583
	11,740	(465)

4 Profit Before Taxation

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

(A) FINANCE COSTS

	Year ended 31 March	
	2017 **HK$'000**	2016 HK$'000
Interest on bank loans and overdrafts	**20,466**	16,241
Finance charges on obligations under finance leases	**57**	100
	20,523	16,341
Less: Interest expenses capitalised into construction-in-progress and prepayment for acquisition of non-current assets*	**(6,527)**	(13,818)
	13,996	2,523

* The borrowing costs have been capitalised at a rate of 3.16% per annum for the year ended 31 March 2017 (2016: 3.14% per annum).

(B) STAFF COSTS

	Year ended 31 March	
	2017 **HK$'000**	2016 HK$'000
Salaries, wages and other benefits	**361,245**	328,635
Contributions to defined contribution retirement schemes	**16,688**	14,249
	377,933	342,884

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

Pursuant to the relevant labor rules and regulations in the PRC, the Group participates in defined contribution retirement benefit scheme (the "Scheme") organised by the relevant local government authority in the PRC whereby the Group is required to make contributions to the Scheme at 20% of the standard wages determined by the relevant authority in the PRC.

The Group has no other material obligation for the payment of pension benefits associated with those schemes beyond the annual contributions described above.

4 Profit Before Taxation (Continued)

(C) OTHER ITEMS

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Amortisation		
– leasehold land (note 11)	**1,494**	1,388
– intangible assets (note 12)	**18,223**	14,560
Depreciation (note 10)	**62,264**	53,980
Impairment losses on trade and other receivables	**23**	66
Operating lease charges in respect of properties	**64,274**	57,939
Auditors' remuneration*		
– audit services	**6,349**	5,683
– other services	**6,763**	1,818
Research and development costs (other than amortisation of capitalised development costs)	**6,342**	5,637
Cost of inventories# (note 14(B))	**699,069**	596,101

* Apart from the auditors' remuneration charged to consolidated statement of profit or loss of HK$13,112,000, the auditors' remuneration of HK$551,000 has been charged to reserves for the year ended 31 March 2017.

\# Cost of inventories includes HK$323,869,000 for the year ended 31 March 2017 (2016: HK$279,116,000), relating to staff costs, operating lease charges, depreciation and amortisation, which amount is also included in the respective total amounts disclosed separately above or in note 4(B) for each of these types of expenses.

5 Income Tax

(A) INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME REPRESENTS:

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Current tax		
Provision for the year	**30,700**	27,463
Over-provision in respect of prior years	**(455)**	(202)
	30,245	27,261
Deferred tax		
Origination and reversal of temporary differences	**9,741**	3,074
	39,986	30,335

5 Income Tax (Continued)

(B) RECONCILIATION BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT AT APPLICABLE TAX RATES:

	Year ended 31 March	
	2017 HK$'000	2016 HK$'000
Profit before taxation	221,246	182,997
Notional tax on profit before taxation calculated at the rate applicable to profits in the tax jurisdiction concerned	36,146	29,806
Effect of non-deductible expenses	8,245	4,088
Effect of non-taxable income	(3,153)	(297)
Effect of tax concessions obtained	(246)	(240)
Effect of temporary differences not recognised	(551)	(2,934)
Recognition of deferred tax previously not recognised	–	114
Over-provision in prior years	(455)	(202)
Actual tax expense	39,986	30,335

Notes:

(i) The provision for Hong Kong Profits Tax for the year is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year, taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2016-17 subject to a maximum reduction of HK$20,000 for each business (2016: a maximum reduction of HK$20,000 was granted for the year of assessment 2015-16 and was taken into account in calculating the provision for 2016).

(ii) Income tax for entities incorporated in other jurisdictions is charged at the appropriate rates of taxation ruling in the relevant jurisdictions.

6 Directors' Emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Year ended 31 March 2017						
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Subtotal HK$'000	Share-based payment HK$'000	Total HK$'000
Executive directors							
Mr. Sum Kwong Yip, Derek	1,818	8,539	299	203	10,859	–	10,859
Mr. Yim Chun Leung	2,400	–	1,600	123	4,123	–	4,123
Mr. Lo Chun Bun	–	497	–	15	512	–	512
Ms. Pun Yue Wai	40	150	–	–	190	–	190
Non-executive director							
Professor Lam Sing Kwong, Simon	200	–	–	–	200	–	200
Independent non-executive directors							
Dr. Lam Kwing Tong, Alan	118	–	–	–	118	–	118
Professor Chow Hee Lum, Albert	118	–	–	–	118	–	118
Mr. Young Chun Man, Kenneth	118	–	–	–	118	–	118
	4,812	9,186	1,899	341	16,238	–	16,238

6 Directors' Emoluments (Continued)

	Year ended 31 March 2016						
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Subtotal HK$'000	Share-based payment HK$'000	Total HK$'000
Executive directors							
Mr. Sum Kwong Yip, Derek	–	10,569	551	219	11,339	–	11,339
Mr. Yim Chun Leung	250	–	–	–	250	–	250
Mr. Lo Chun Bun	–	973	–	18	991	–	991
	250	11,542	551	237	12,580	–	12,580

The directors of the Company were appointed on the following dates:

	Date of appointment
Executive directors	
Mr. Sum Kwong Yip, Derek	16 February 2016
Mr. Yim Chun Leung	1 April 2016
Mr. Lo Chun Bun	16 February 2016*
Ms. Pun Yue Wai	1 February 2017
Non-executive director	
Professor Lam Sing Kwong, Simon	11 April 2016
Independent non-executive directors	
Dr. Lam Kwing Tong, Alan	30 August 2016
Professor Chow Hee Lum, Albert	30 August 2016
Mr. Young Chun Man, Kenneth	30 August 2016

During the year, there was no amount paid or payable by the Group to the directors or any of the five highest paid individuals as set out in note 7 below as an inducement to join or upon joining the Group or as compensation for loss of office. And there was no arrangement under which a director has waived or agreed to waive any remuneration during the year ended 31 March 2017 (2016: Nil).

* resigned on 1 February 2017

7 Individuals With Highest Emoluments

Of the five individuals with the highest emoluments, two are directors for the year ended 31 March 2017 (2016: 1) whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Salaries and other emoluments	**6,502**	7,155
Discretionary bonuses	**245**	912
Retirement scheme contributions	**54**	87
	6,801	8,154

The emoluments of the above individuals with the highest emoluments are within the following bands:

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
HK$1,500,001 – HK$2,000,000	**–**	2
HK$2,000,001 – HK$2,500,000	**3**	1
HK$2,500,001 – HK$3,000,000	**–**	1

8 Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of HK$179,328,000 for the year ended 31 March 2017 (2016: HK$145,610,000), and the deemed weighted average ordinary shares in issue calculated as follows:

	Year ended 31 March	
	2017	2016
	'000	'000
Deemed weighted average number of ordinary shares:		
Shares of the Company issued at the beginning of the year	**1,312,500**	–
Shares of JPG (BVI) issued at the beginning of the year adjusted by the effect of share swap between the Company and JPG (BVI) (note (i) and note 21)	**–**	1,308,646
Effect of shares issued upon incorporation (note 21)	**–**	12
Effect of shares issued for acquisition of non-controlling interests (note 21)	**–**	144
Effect of shares issued under initial public offer and exercise of over-allotment option (note 21)	**261,961**	–
Deemed weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	**1,574,461**	1,308,802

Note:

(i) The amount represents the shares of JPG (BVI) issued at 1 April 2015 of 22,000 ordinary shares adjusted by a conversion ratio of 1 JPG (BVI) share for 59,483.9 ordinary shares of the Company.

8 Earnings Per Share (Continued)

The calculation of diluted earnings per share is based on the profit attributable to shareholders of the Company of HK$179,328,000 (2016: HK$145,610,000) and the weighted average of 1,574,620,000 ordinary shares (2016: 1,308,802,000 ordinary shares) in issue during the year. The reconciliation of the weighted average number of ordinary shares used in the calculation of the basic earnings per share to that of the diluted earnings per share is as follows:

	Year ended 31 March	
	2017 **'000**	2016 '000
Deemed weighted average number of ordinary shares:		
Deemed weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	**1,574,461**	1,308,802
Effect of dilutive potential ordinary shares		
– Over-allotment option	**159**	–
Deemed weighted average number of ordinary shares in issue during the year, used in the diluted earnings per share calculation	**1,574,620**	1,308,802

9 Dividends

Dividends payable to shareholders of the Company attributable to the year:

	Year ended 31 March 2017
	HK$'000
Interim dividend declared and paid of HK 0.8 cent per share (2016: not applicable)	**14,525**
Final dividend proposed after the end of year of HK 1.4 cents per share (2016: not applicable)	**25,419**
	39,944

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

During the year ended 31 March 2016, JPG (BVI), the former holding company of the Group prior to the completion of the Reorganisation, declared an interim dividend of HK$200,200,000. The rates for this dividend and the number of shares ranking for this dividend are not presented as such information is not considered meaningful for the purpose of these financial statements.

10 Property, Plant and Equipment

	Buildings HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Construction-in-progress HK$'000	Total HK$'000
Cost:							
At 1 April 2015	64,065	197,827	104,159	11,356	31,413	408,508	817,328
Additions	–	15,292	19,714	2,688	11,894	215,800	265,388
Disposals	–	(8,955)	(7,905)	(927)	(3,133)	–	(20,920)
Transfers	–	45,531	43,716	–	17,286	(106,533)	–
Exchange difference	(1,042)	(3,016)	(87)	(19)	(542)	–	(4,706)
At 31 March 2016	63,023	246,679	159,597	13,098	56,918	517,775	1,057,090
Accumulated depreciation:							
At 1 April 2015	23,252	100,062	54,034	7,461	21,829	–	206,638
Charge for the year	2,737	25,988	15,048	1,543	8,664	–	53,980
Written back on disposals	–	(8,093)	(3,513)	(839)	(3,132)	–	(15,577)
Exchange difference	(464)	(2,268)	(73)	(18)	(451)	–	(3,274)
At 31 March 2016	25,525	115,689	65,496	8,147	26,910	–	241,767
Net book value:							
At 31 March 2016	37,498	130,990	94,101	4,951	30,008	517,775	815,323

10 Property, Plant and Equipment (Continued)

	Buildings HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Construction-in-progress HK$'000	Total HK$'000
Cost:							
At 1 April 2016	63,023	246,679	159,597	13,098	56,918	517,775	1,057,090
Additions	–	25,004	11,518	1,931	9,535	29,682	77,670
Acquisition of a subsidiary under asset acquisition	82,731	–	–	–	–	–	82,731
Acquisitions of subsidiaries under business combinations	90,001	4,148	1,976	553	2,895	–	99,573
Disposals	–	(17,640)	(2,775)	(5,619)	(7,860)	–	(33,894)
Disposed through disposal of a subsidiary	(714)	–	–	–	–	–	(714)
Transfers	83,854	161,863	313,842	–	(12,102)	(547,457)	–
Exchange difference	(1,170)	(3,345)	(97)	(21)	(621)	–	(5,254)
At 31 March 2017	317,725	416,709	484,061	9,942	48,765	–	1,277,202
Accumulated depreciation:							
At 1 April 2016	25,525	115,689	65,496	8,147	26,910	–	241,767
Charge for the year	5,540	28,939	19,911	1,970	5,904	–	62,264
Written back on disposals	–	(15,469)	(2,671)	(4,675)	(7,596)	–	(30,411)
Written back on disposal of a subsidiary	(159)	–	–	–	–	–	(159)
Transfers	–	–	4,468	–	(4,468)	–	–
Exchange difference	(538)	(2,715)	(86)	(21)	(571)	–	(3,931)
At 31 March 2017	30,368	126,444	87,118	5,421	20,179	–	269,530
Net book value:							
At 31 March 2017	287,357	290,265	396,943	4,521	28,586	–	1,007,672

At 31 March 2017 and 2016, certain buildings, machinery and equipment were pledged against bank loans granted to the Group as disclosed in note 19(A)(i).

The Group leases certain motor vehicles and office equipment under finance leases expiring from 1 to 5 years. During the year ended 31 March 2016, the Group entered into finance leases contracts in respect of certain motor vehicles and office equipment with capital value at the inception of the contracts HK$818,000. At 31 March 2017, the net book value of assets held under finance leases amounted to HK$508,000 (2016: HK$4,663,000).

11 Leasehold Land

	As at 31 March	
	2017 **HK$'000**	2016 HK$'000
Cost:		
At 1 April	**63,261**	63,995
Disposed through disposal of a subsidiary	**(714)**	–
Exchange difference	**(824)**	(734)
At 31 March	**61,723**	63,261
Accumulated amortisation:		
At 1 April	**11,843**	10,701
Charge for the year	**1,494**	1,388
Written back on disposal of a subsidiary	**(159)**	–
Exchange difference	**(294)**	(246)
At 31 March	**12,884**	11,843
Net book value:		
At 31 March	**48,839**	51,418

At 31 March 2017 and 2016, certain bank borrowings were secured by certain leasehold land as disclosed in note 19(A)(i).

12 Intangible Assets

	Goodwill HK$'000	Memberships HK$'000	Trademarks HK$'000	Unpatented drugs HK$'000	Customer relationship HK$'000	Capitalised development costs HK$'000	Software HK$'000	Total HK$'000
Cost:								
At 1 April 2015	108,507	2,520	55,398	146,604	139,250	–	30,580	482,859
Additions	–	–	–	12,545	–	5,529	243	18,317
At 31 March 2016	108,507	2,520	55,398	159,149	139,250	5,529	30,823	501,176
Accumulated amortisation:								
At 1 April 2015	–	–	–	24,521	33,638	–	1,776	59,935
Charge for the year	–	–	–	5,038	6,963	–	2,559	14,560
At 31 March 2016	–	–	–	29,559	40,601	–	4,335	74,495
Net book value:								
At 31 March 2016	108,507	2,520	55,398	129,590	98,649	5,529	26,488	426,681

	Goodwill HK$'000	**Memberships HK$'000**	**Trademarks HK$'000**	**Unpatented drugs HK$'000**	**Customer relationship HK$'000**	**Capitalised development costs HK$'000**	**Software HK$'000**	**Total HK$'000**
Cost:								
At 1 April 2016	**108,507**	**2,520**	**55,398**	**159,149**	**139,250**	**5,529**	**30,823**	**501,176**
Additions	**–**	**–**	**–**	**9,221**	**–**	**5,375**	**2,334**	**16,930**
Acquisitions of subsidiaries under business combinations	**246,623**	**–**	**208,080**	**45,928**	**132,082**	**–**	**–**	**632,713**
Disposals	**–**	**(1,300)**	**–**	**–**	**–**	**–**	**–**	**(1,300)**
At 31 March 2017	**355,130**	**1,220**	**263,478**	**214,298**	**271,332**	**10,904**	**33,157**	**1,149,519**
Accumulated amortisation:								
At 1 April 2016	**–**	**–**	**–**	**29,559**	**40,601**	**–**	**4,335**	**74,495**
Charge for the year	**–**	**–**	**–**	**6,033**	**9,337**	**–**	**2,853**	**18,223**
At 31 March 2017	**–**	**–**	**–**	**35,592**	**49,938**	**–**	**7,188**	**92,718**
Net book value:								
At 31 March 2017	**355,130**	**1,220**	**263,478**	**178,706**	**221,394**	**10,904**	**25,969**	**1,056,801**

The amortisation charge of unpatented drugs, customer relationship and software is included in "cost of sales", "selling and distribution expenses" and "administrative and other operating expenses" respectively in the consolidated statement of profit or loss and other comprehensive income for the years ended 31 March 2017 and 2016.

12 Intangible Assets (Continued)

In assessing the useful life of trademarks, due consideration is given to the existing longevity of trademarks, the indefinite life cycle of the industry in which the Group operates and the expected usage of the trademarks in the future. In light of these considerations, no factor could be identified that would result in the trademarks having a finite useful life and accordingly the trademarks have been assessed as having an indefinite useful life.

IMPAIRMENT TESTS FOR CASH GENERATING UNITS CONTAINING GOODWILL AND TRADEMARKS

Goodwill and trademarks are allocated to the Group's cash-generating units ("CGU") in the following business segments:

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
Goodwill		
Generic Drugs	**150,781**	96,779
Proprietary Medicines	**204,349**	11,728
	355,130	108,507
Trademarks		
Generic Drugs	**2,808**	2,808
Proprietary Medicines	**260,670**	52,590
	263,478	55,398

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecast prepared by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations:

	As at 31 March	
	2017	2016
Gross margin	**16% – 73%**	14% – 55%
Growth rate	**3%**	3%
Discount rate	**14% – 15%**	14% – 15%

Management determined forecasted gross margin based on past performance and its expectations for market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs if the discount rate is not the same for all CGUs in the same segment.

The membership represents a club membership (2016: a club membership and a capital note certificate of a school). The directors consider that the recoverable amount of the intangible asset exceeds the carrying amount and therefore no impairment is necessary. The recoverable amount of the intangible asset is estimated by reference to the current open market value less cost to sell as at the end of the reporting period.

13 Non-current Assets

	As at 31 March	
	2017 HK$'000	2016 HK$'000
Investments in key management insurance contracts	**–**	16,796
Prepayment for purchase of non-current assets	**14,820**	10,374
Prepayment for business acquisition	**5,600**	–
	20,420	27,170

At 31 March 2016, the investments in key management insurance contracts represent life insurance policies with investment elements relating to the Controlling Parties. The beneficiaries are certain subsidiaries of the Group. The Group surrendered the policies to the bank or transferred the policy to a Controlling Party (see note 30(A)) during the year ended 31 March 2017.

At 31 March 2016, certain bank borrowings were secured by the benefits of the investments in key management insurance contracts as disclosed in note 19(A)(i).

14 Inventories

(A) INVENTORIES IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION COMPRISE:

	As at 31 March	
	2017 HK$'000	2016 HK$'000
Raw materials	**106,091**	74,969
Work in progress	**20,495**	20,109
Finished goods	**134,727**	101,837
	261,313	196,915

(B) THE ANALYSIS OF THE AMOUNT OF INVENTORIES RECOGNISED AS AN EXPENSE AND INCLUDED IN PROFIT OR LOSS IS AS FOLLOWS:

	Year ended 31 March	
	2017 HK$'000	2016 HK$'000
Carrying amount of inventories sold	**693,114**	589,727
Write-down of inventories	**5,955**	6,374
	699,069	596,101

15 Trade and Other Receivables

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
Trade receivables	**154,314**	108,055
Other receivables	**2,762**	3,005
Investments in key management insurance contracts (note 13)	**–**	58,452
Deposits and prepayments	**44,394**	40,445
	201,470	209,957

At 31 March 2017, the deposits and prepayments expected to be recovered after more than one year amounted to HK$17,823,000 (2016: HK$17,474,000). The remaining trade and other receivables are expected to be recovered within one year.

At 31 March 2017 and 2016, certain bank borrowings were secured by trade receivables as disclosed in note 19(A)(i).

The Group normally allows a credit period of 0-90 days to its customers. Further details on the Group's credit policy are set out in note 27(A).

(A) AGEING ANALYSIS

As at the end of the reporting period, the aging analysis of trade receivables (which are includes in trade and other receivables) based on the invoice date and net of allowance for doubtful debts, is as follows:

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
Less than 1 month	**102,616**	61,141
1 to 6 months	**51,698**	46,604
Over 6 months	**–**	310
	154,314	108,055

15 Trade and Other Receivables (Continued)

(B) IMPAIRMENT OF TRADE RECEIVABLES

As at 31 March 2017, none of the Group's trade receivables were determined to be impaired (2016: Nil).

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	As at 31 March	
	2017 **HK$'000**	2016 HK$'000
Neither past due nor impaired	**94,753**	73,943
Less than 1 month past due	**48,764**	22,819
1 to 3 months past due	**10,118**	10,270
Over 3 months past due	**679**	1,023
	154,314	108,055

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

16 Amounts Due to and Dividend Payables to the Controlling Parties

As at 31 March 2016, the amounts due to and dividend payables to the Controlling Parties were interest-free, unsecured and repayable on demand. These balances were fully settled in August 2016.

17 Cash and Cash Equivalents

	As at 31 March	
	2017 **HK$'000**	2016 HK$'000
Cash at bank and in hand	**359,685**	82,925

18 Trade and Other Payables

	As at 31 March	
	2017 HK$'000	2016 HK$'000
Trade payables	40,894	26,303
Salary and bonus payables	38,793	40,639
Payables and accruals for addition of property, plant and equipment	1,973	8,235
Other payables and accruals	23,326	23,323
Receipts in advance	3,155	6,085
	108,141	104,585

All of the other trade and other payables are expected to be settled within one year.

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

	As at 31 March	
	2017 HK$'000	2016 HK$'000
Within 1 month	21,462	13,441
1 to 6 months	19,394	12,504
Over 6 months	38	358
	40,894	26,303

19 Borrowings

An analysis of the carrying amount of borrowings is as follows:

	As at 31 March	
	2017 HK$'000	2016 HK$'000
Current liabilities:		
Current portion of bank loans (note 19(A))	420,228	212,036
Non-current portion of bank loans with repayable on demand clause (note 19(A))	517,258	227,299
Bank loans	937,486	439,335
Obligations under finance leases (note 19(B))	149	692
Amounts due to the Controlling Parties (notes 16 and 30(B))	–	36,202
	937,635	476,229
Non-current liabilities:		
Obligations under finance leases (note 19(B))	373	522
	938,008	476,751

19 Borrowings (Continued)

(A) BANK LOANS

(i) Bank loans were analysed as follows:

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
Bank loans		
– secured	**917,153**	189,318
– unsecured	**20,333**	250,017
	937,486	439,335

As at 31 March 2017, the secured bank facilities were secured by the land and buildings and other property, plant and equipment of the Group, trade receivables and corporate guarantees provided by the Company and certain subsidiaries of the Group, while the unsecured facilities were guaranteed by the Company, certain subsidiaries of the Group and guarantees from the Hong Kong Mortgage Corporation Limited.

As at 31 March 2016, the secured bank facilities were secured by the land and buildings and other property, plant and equipment of the Group, trade receivables, benefits of key management insurance contracts, the Controlling Parties' personal guarantees and corporate guarantees from certain subsidiaries, while the unsecured facilities were guaranteed by the Controlling Parties' personal guarantees, corporate guarantees from certain subsidiaries and guarantees from the Hong Kong Mortgage Corporation Limited. The Controlling Parties' personal guarantees were released and replaced by a corporate guarantee provided by the Company during the year ended 31 March 2017.

These facilities amounted to HK$1,148,598,000 as of 31 March 2017 (2016: HK$660,413,000). These facilities were utilised to the extent of HK$950,683,000 (2016: HK$450,907,000).

The carrying value of assets pledged against bank loans as at the end of the reporting period is analysed as follows:

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
Property, plant and equipment	**285,584**	121,810
Leasehold land	**46,416**	51,027
Investments in key management insurance contracts	**–**	75,248
Trade receivables	**77,339**	66,870
	409,339	314,955

19 Borrowings (Continued)

(A) BANK LOANS (Continued)

(ii) As at 31 March 2017 and 2016, all the bank loans were repayable within 1 year or on demand.

All the Group's banking facilities are subject to the fulfillment of covenants based on the financial statements of the Group and certain of its subsidiaries, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. As at 31 March 2017, none of the covenants relating to drawn down facilities had been breached (2016: Nil). Further details of the Group's management of liquidity risk are set out in note 27(B).

Notwithstanding the specified repayment schedules as stated in the facilities letters ("specific repayment terms") which allow the loans to be repaid over a period of more than one year, all banking facilities granted to the Group include a clause that gives the banks the unconditional rights to call the bank loans at any time ("repayment on demand clause"). These bank loans as at 31 March 2017 and 2016 were classified as current liabilities in the consolidated statement of financial position.

However, management expects that the bank loans are to be repaid as follows based on the specific repayment terms:

	As at 31 March	
	2017 **HK$'000**	2016 HK$'000
Bank loans due for repayment:		
Within one year	**420,228**	212,036
After 1 year but within 2 years	**222,003**	112,422
After 2 years but within 5 years	**171,530**	111,450
After 5 years	**123,725**	3,427
	517,258	227,299
	937,486	439,335

Note: The amounts due are based on the specific repayment terms set out in the facilities letters and ignore the effect of any repayment on demand clause.

(B) OBLIGATIONS UNDER FINANCE LEASES

The Group had obligations under finance leases repayable as follows:

	As at 31 March			
	2017		2016	
	Present value of the minimum lease payments HK$'000	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	**149**	**187**	692	736
After 1 year but within 2 years	**149**	**187**	149	187
After 2 years but within 5 years	**224**	**279**	373	466
	373	**466**	522	653
	522	**653**	1,214	1,389
Less: Total future interest expense		**(131)**		(175)
Present value of lease obligations		**522**		1,214

20 Deferred Tax

(A) DEFERRED TAX LIABILITIES/(ASSETS) RECOGNISED

The components of deferred tax liabilities/(assets) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Property, plant and equipment HK$'000	Intangible assets HK$'000	Unused tax losses HK$'000	Total HK$'000
At 1 April 2015	12,585	41,337	(9,941)	43,981
Charged/(credited) to profit or loss	6,329	(2,428)	(827)	3,074
Exchange difference	24	–	–	24
At 31 March 2016	18,938	38,909	(10,768)	47,079
At 1 April 2016	**18,938**	**38,909**	**(10,768)**	**47,079**
Acquisitions of a subsidiary under asset acquisition	**1,676**	**–**	**–**	**1,676**
Acquisitions of subsidiaries under business combinations	**14,198**	**63,705**	**–**	**77,903**
Charged/(credited) to profit or loss	**33,328**	**(56)**	**(23,531)**	**9,741**
Exchange difference	**65**	**–**	**–**	**65**
At 31 March 2017	**68,205**	**102,558**	**(34,299)**	**136,464**

Reconciliation to the consolidated statement of financial position

	As at 31 March	
	2017 HK$'000	2016 HK$'000
Deferred tax assets recognised in the consolidated statement of financial position	**(2,423)**	(1,469)
Deferred tax liabilities recognised in the consolidated statement of financial position	**138,887**	48,548
	136,464	47,079

The directors are of the view that future taxable profits will probably be available to utilise the deferred tax assets.

(B) DEFERRED TAX ASSETS NOT RECOGNISED

As at 31 March 2017, in accordance with the accounting policy set out in note 1(S), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$21,011,000 (2016: HK$22,204,000), respectively as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Tax losses as at 31 March 2016 and 2017 have no expiry dates under current tax legislation.

21 Share Capital

	Number of shares '000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each at 16 February 2016 (date of incorporation), 31 March 2016 and 2017	5,000,000	50,000
Issued:		
At 16 February 2016 (date of incorporation)	100	1
Issue of ordinary shares for share swap between the Company and JPG (BVI)	1,308,646	13,086
Issue of ordinary shares for acquisition of non-controlling interests	3,754	38
At 31 March 2016	1,312,500	13,125
At 1 April 2016	1,312,500	13,125
Issue of ordinary shares under initial public offering	437,500	4,375
Issue of ordinary shares upon exercise of the over-allotment option	65,625	656
At 31 March 2017	1,815,625	18,156

The Company was incorporated in the Cayman Islands on 16 February 2016. At the time of incorporation, the Company had an authorised share capital of HK$50,000,000 divided into 5,000,000,000 shares. The Company issued and allotted 51,000 shares, 37,000 shares and 12,000 shares to Kingshill Development Limited, Queenshill Development Limited and Longjin Investments Limited respectively.

On 18 March 2016, the Company further issued and allotted 667,410,000 shares, 484,198,000 shares and 157,038,000 shares to Kingshill Development Limited, Queenshill Development Limited and Longjin Investments Limited respectively in exchange for the equity in JPG (BVI). On the same day, the Company also issued and allotted 3,754,000 shares to a non-controlling shareholder of Po Chai Herbal Technology Limited ("PCHT") in exchange for the remaining 7.6% shareholding of PCHT, which holds 55.2% of Li Chung Shing Tong (Holdings) Limited ("LCST (Holdings)").

On 21 September 2016, the Company issued 437,500,000 ordinary shares with a par value of HK$0.01 each, at price of HK$1.50 per share by way of a global initial public offering to Hong Kong and international investors. Net proceeds from such issue amounted to HK$620,357,000 (after deducting share issuance expenses of HK$35,893,000) of which HK$4,375,000 and HK$615,982,000 were recorded in share capital and share premium respectively.

On 6 October 2016, the Company issued 65,625,000 ordinary shares with a par value of HK$0.01 each, at price of HK$1.50 per share, by way of the exercise of the over-allotment option under global offering on 3 October 2016. Net proceeds from such issue amounted to HK$95,287,000 (after deducting share issuance expenses of HK$3,150,000) of which HK$656,000 and HK$94,631,000 were recorded in share capital and share premium respectively.

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.

22 Company-level Statement of Financial Position

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
Non-current asset		
Investment in a subsidiary	**223,512**	223,512
Current assets		
Amount due from the Controlling Parties	**–**	1
Amounts due from subsidiaries	**939,749**	–
Cash and cash equivalents	**114,837**	–
	1,054,586	1
Current liabilities		
Other payables	**15**	–
Amounts due to subsidiaries	**337,999**	–
	338,014	–
Net current assets	**716,572**	1
NET ASSETS	**940,084**	223,513
CAPITAL AND RESERVES		
Share capital	**18,156**	13,125
Reserves	**921,928**	210,388
TOTAL EQUITY	**940,084**	223,513

Details of the changes in the Company's equity are set out below:

	Share capital HK$'000	**Share premium** HK$'000	**Capital reserve** HK$'000	**Retained earnings** HK$'000	**Total** HK$'000
At 16 February 2016 (date of incorporation)	1	–	–	–	1
Issue of ordinary shares for share swap between the Company and JPG (BVI) (note 21)	13,086	–	203,943	–	217,029
Issue of ordinary shares for acquisition of non-controlling interests (note 21)	38	6,445	–	–	6,483
At 31 March 2016 and 1 April 2016	13,125	6,445	203,943	–	223,513
Profit for the year	–	–	–	15,452	15,452
Dividends declared in respect the current year (note 9)	–	–	–	(14,525)	(14,525)
Issue of ordinary shares under initial public offering and exercise of the over-allotment option (note 21)	5,031	710,613	–	–	715,644
At 31 March 2017	18,156	717,058	203,943	927	940,084

23 Reserves

The nature and purpose of reserves are set out below:

(A) SHARE PREMIUM

Prior to the incorporation of the Company on 16 February 2016, the share premium account represented the difference between the par value of the shares of JPG (BVI), the former holding company of the Group prior to the completion of the Reorganisation and proceeds received from the issuance of the shares of JPG (BVI). After the completion of the Reorganisation, it represents the difference between the consideration and the par value of the issued shares of the Company.

(B) CAPITAL RESERVE

The capital reserve comprises the following:

- shareholders' loans capitalised;
- the difference between the considerations paid by the Group and the share of net assets value of the subsidiaries acquired from non-controlling interests; and
- the difference between the par value of the Company's shares issued and the equity of JPG (BVI) acquired during the Reorganisation. Pursuant to the Reorganisation, the Company issued 1,308,646,000 ordinary shares of HK$0.01 each to the then shareholders of JPG (BVI) in consideration of acquiring their equity interests held in JPG (BVI). The difference between the then shareholders' equity JPG (BVI) over the par value of the shares issued by the Company was transferred to the capital reserve in the financial statements as at the date of Reorganisation.

(C) EXCHANGE RESERVE

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 1(V).

(D) CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends payable to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group is not subject to externally imposed capital requirements.

24 Business Combinations

(A) ACQUISITION OF CAWAH HOLDINGS LIMITED AND THE OPERATING ASSETS

On 31 October 2016, the Group acquired the entire equity interest of Cawah Holdings Limited, which are engaged in manufacturing and sale of pharmaceutical products, and certain operating assets at a consideration of HK$100,000,000 in order to increase the market share in generic during business and widen product portfolio. These entities contributed revenue of HK$25,256,000 and profit of HK$4,146,000 to the Group for the period from 31 October 2016 to 31 March 2017. If the acquisition had occurred on 1 April 2016, the Group's revenue and profit for the year ended 31 March 2017 would have been increased by HK$33,369,000 and HK$4,251,000 respectively.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Recognised values on acquisition HK$'000
Property, plant and equipment	5,877
Intangible assets	49,689
Inventories	4,250
Trade and other receivables	2,790
Cash and cash equivalents	2,974
Trade and other payables	(7,534)
Obligation under finance lease	(125)
Current tax payable	(3,088)
Deferred tax liabilities	(8,835)
Net identifiable assets acquired	45,998
Less: Consideration	(100,000)
Goodwill	54,002
Analysis of the net cash outflow of cash and cash equivalents in respect of the acquisition	
Cash consideration paid	100,000
Less: Cash and cash equivalents acquired	(2,974)
	97,026

The goodwill is attributable mainly to the assembled workforce and the synergies expected to be achieved from integrating Cawah Holdings Limited into the Group's Generic Drugs segment.

Acquisition-related costs

The Group incurred acquisition-related costs of HK$1,219,000 relating to the external legal fee and due diligence costs. These costs have been included in "administrative and other operating expenses" in the consolidated statement of profit of loss and other comprehensive income for the year ended 31 March 2017.

24 Business Combinations (Continued)

(B) ACQUISITION OF VICTOR LUCK LIMITED AND HAPPY ECHO LIMITED

On 16 January 2017, the Group acquired the entire equity interest of two companies, Victor Luck Limited and Happy Echo Limited. Victor Luck Limited, Happy Echo Limited and their subsidiaries ("Victor Luck Group") are engaged in manufacturing marketing and sales of generic drugs and proprietary medicines under the brand name of "Ho Chai Kung" at a consideration of HK$568,000,000 in order to widen the existing proprietary medicines portfolio, deepen its product penetration and enhance its market position. Victor Luck Group contributed revenue of HK$27,058,000 and profit of HK$8,011,000 to the Group for the period from 16 January 2017 to 31 March 2017. If the acquisition had occurred on 1 April 2016, the Group's revenue and profit for the year ended 31 March 2017 would have been increased by HK$64,014,000 and HK$43,414,000 respectively.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Recognised values on acquisition HK$'000
Property, plant and equipment	93,696
Intangible assets	326,820
Inventories	10,548
Trade and other receivables	6,656
Cash and cash equivalents	22,961
Trade and other payables	(4,612)
Bank loans	(7,019)
Current tax payable	(6,184)
Deferred tax liabilities	(67,487)
Net identifiable assets acquired	375,379
Less: Consideration	(568,000)
Goodwill	192,621
Analysis of the net cash outflow of cash and cash equivalents in respect of the acquisition	
Cash consideration paid	568,000
Less: Cash and cash equivalents acquired	(22,961)
	545,039

The goodwill is attributable mainly to the assembled workforce and the synergies expected to be achieved from integrating the Victor Luck Group into the Group's Proprietary Medicines segment.

Acquisition-related costs

The Group incurred acquisition-related costs of HK$4,964,000 relating to the external legal and professional fees and due diligence costs. These costs have been included in "administrative and other operating expenses" in the consolidated statement of profit of loss and other comprehensive income for the year ended 31 March 2017.

24 Business Combinations (continued)

(C) ACQUISITION OF BUSINESS FROM LING CHI MEDICINE COMPANY (HONG KONG) LIMITED

On 31 March 2017, the Group acquired substantially all of the assets in connection with the business carried out by Ling Chi Medicine Company (Hong Kong) Limited which are engaged in manufacturing of proprietary medicines under the brands of "Saplingtan", "Shiling Oil" and "Col-gan Tablet" at a consideration of HK$9,073,000 in order to widen the existing proprietary medicines portfolio. If the acquisition had occurred on 1 April 2016, the Group's revenue and profit for the year ended 31 March 2017 would have been increased by HK$5,521,000 and decreased by HK$3,924,000 respectively.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Recognised values on acquisition HK$'000
Intangible assets	9,581
Non-current assets	288
Inventories	785
Deferred tax liabilities	(1,581)
Net identifiable assets acquired	9,073
Less: Consideration	(9,073)
Goodwill	–
Analysis of the net cash outflow of cash and cash equivalents in respect of the acquisition	
Cash consideration paid	9,073

Acquisition-related costs

The Group incurred acquisition-related costs of HK$602,000 relating to the external legal fee and due diligence costs. These costs have been included in "administrative and other operating expenses" in the consolidated statement of profit of loss and other comprehensive income for the year ended 31 March 2017.

(D) MEASUREMENT OF FAIR VALUE

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Assets acquired	**Valuation technique**
Property, plant and equipment	Market comparison technique and cost technique: The valuation model considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Intangible assets	Relief from royalty method and excess earnings method: The relief from royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the technical knowhow or trademarks being owned. The excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.

25 Acquisitions of Non-controlling Interests

In October and November 2016, the Group acquired an additional 10.69% interests in Europharm Laboratoires Company Limited ("Europharm") at a cash consideration of HK$41,369,000, increasing its ownership in Europharm from 89.31% to 100%. The Group recognised:

- a decrease in non-controlling interests of HK$21,486,000; and
- a decrease in capital reserve of HK$19,883,000.

The carrying amount of Europharm's net assets in the Group's consolidated financial statements on the dates of the acquisition was HK$199,892,000 and HK$200,085,000 respectively.

The following summarises the changes in the Group's ownership interest in Europharm:

	HK$'000
Group's ownership interest at 1 April 2016	168,656
Effect of increase in Group's ownership interest	21,486
Share of comprehensive income	20,901
Dividends declared	(4,340)
Group's ownership interest at 31 March 2017	206,703

In March 2017, the Group acquired an additional 8.8% and 9% interest in LCST (Holdings) and Quinwood Limited, at an aggregate consideration of HK$21,800,000, increasing its ownership in LCST (Holdings) and its subsidiary and Quinwood Limited from 55.2% to 64% and from 62% to 71% respectively. The Group recognised:

- a decrease in non-controlling interests of HK$5,602,000; and
- a decrease in capital reserve of HK$16,198,000.

The carrying amount of the net assets of LCST (Holdings) and its subsidiary and Quinwood Limited in the Group's consolidated financial statements on the date of the acquisition were HK$59,050,000 and HK$4,503,000 respectively.

The following summarises the changes in the Group's ownership interest in LCST (Holdings) and its subsidiary:

	HK$'000
Group's ownership interest at 1 April 2016	26,816
Effect of increase in Group's ownership interest	5,197
Share of comprehensive income	5,459
Dividends declared	(828)
Group's ownership interest at 31 March 2017	36,644

The following summarises the changes in the Group's ownership interest in Quinwood Limited:

	HK$'000
Group's ownership interest at 1 April 2016	2,626
Effect of increase in Group's ownership interest	405
Share of comprehensive income	616
Group's ownership interest at 31 March 2017	3,647

26 Share-based Payment Arrangement

On 19 October 2016 and 20 January 2017, pursuant to the Share Incentive Scheme adopted by the Company on 30 August 2016, certain employees, including certain executive directors of the Company and certain directors of subsidiaries of the Company were granted share awards entitling them to acquire an aggregate of 12,500,000 and 2,066,000 ordinary shares of the Company respectively, from The Jacobson Pharma (PTC) Limited, with vesting dates on 21 October 2016 and 23 January 2017. All the share awards granted of 14,566,000 ordinary shares have been vested during the year ended 31 March 2017 and there was no outstanding share awards granted as at 31 March 2017.

The acquisition prices of the share awards were HK$1.5 per ordinary share and HK$1.8 per ordinary share for the share awards granted on 19 October 2016 and 20 January 2017. The market closing price at these dates were HK$1.5 per ordinary share and HK$1.8 per ordinary share respectively. The fair values of the share awards at grant dates were effectively zero.

27 Financial Risk Management and Fair Values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(A) CREDIT RISK

The Group's credit risk is primarily attributable to cash and cash equivalents, trade and other receivables and derivative financial instruments. Cash and cash equivalents are normally placed at financial institutions that have sound credit ratings and the Group considers the credit risk to be insignificant. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 March 2017, 8.1% (2016: 7.7%) of the total trade and other receivables was due from the Group's largest debtor and 18.9% (2016: 14.7%) was due from the five largest debtors respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 15.

27 Financial Risk Management and Fair Values (Continued)

(B) LIQUIDITY RISK

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Given that bank loans subject to repayment on demand clause are classified as current liabilities as set out in note 19, the contractual undiscounted cash outflows of all the financial liabilities as at 31 March 2017 and 2016 are due within 1 year or on demand and equal their carrying value at the end of the reporting period, except for the obligations under finance leases which are disclosed in note 19.

The following tables show the remaining contractual maturities at the end of the reporting period of the Company's bank loans, which are based on contractual undiscounted cash outflows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period).

As the directors do not expect the banks would exercise the rights to demand repayment, the bank loans subject to repayment on demand clause are expected to be repayable based on the specific repayment terms. Hence, for these bank loans, the following tables show the contractual undiscounted cash outflows according to the specific repayment terms and, separately, the impact to the timing of the cash outflows if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

	As at 31 March 2016						
	Contractual undiscounted cash outflow						
	On demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
Bank loans subject to repayment on demand clauses: scheduled repayments	–	222,792	117,687	114,145	3,620	458,244	439,335
Adjustments to disclose cash flows on bank loans based on lender's right to demand repayment	439,335	(222,792)	(117,687)	(114,145)	(3,620)	(18,909)	–
	439,335	–	–	–	–	439,335	439,335

27 Financial Risk Management and Fair Values (continued)

(B) LIQUIDITY RISK (Continued)

	As at 31 March 2017						
	Contractual undiscounted cash outflow						
	On demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
Bank loans subject to repayment on demand clauses: scheduled repayments	–	440,951	233,144	186,372	128,263	988,730	937,486
Adjustments to disclose cash flows on bank loans based on lender's right to demand repayment	937,486	(440,951)	(233,144)	(186,372)	(128,263)	(51,244)	–
	937,486	–	–	–	–	937,486	937,486

(C) INTEREST RATE RISK

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	As at 31 March			
	2017 Effective interest rate	Amount HK$'000	2016 Effective interest rate	Amount HK$'000
Fixed rate borrowings:				
Bank loans	–	–	5.57% – 5.82%	2,410
Obligations under finance leases	5.09%	522	2% – 9.15%	1,214
		522		3,624
Variable rate borrowings:				
Bank loans	1.94% – 4.84%	937,486	1.69% – 5%	436,925
Total interest-bearing borrowings		938,008		440,549
Fixed rate borrowings as a percentage of total net borrowings		0%		1%

27 Financial Risk Management and Fair Values (continued)

(C) INTEREST RATE RISK (Continued)

(ii) Sensitivity analysis

As at 31 March 2017, it is estimated that a general increase/decrease of 10 basis points in interest rates with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately HK$916,000 (2016: HK$403,000).

The sensitivity analysis above indicates the annualised impact on the Group's interest expense that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rate instruments which expose the Group to cash flow interest rate risk at that date. The analysis does not take into account exposure to fair value interest rate risk arising from fixed rate instruments as the Group does not hold any fixed rate instruments which are measured at fair value in the Financial statements. The analysis is performed on the same basis for 2016.

(D) CURRENCY RISK

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Euros, United States dollars and Renminbi. The Group manages this risk as follows:

In respect of other trade receivables and payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

All the Group's borrowings are denominated in the functional currency of the entity taking out the loan or, in the case of group entities whose functional currency is Hong Kong dollars, in either Hong Kong dollars or United States dollars. Given this, management does not expect that there will be any significant currency risk associated with the Group's borrowings.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency are excluded.

	As at 31 March					
	2017			2016		
	United States dollars HK$'000	**Euros HK$'000**	**Great British Pounds HK$'000**	United States dollars HK$'000	Euros HK$'000	Great British Pounds HK$'000
Trade and other receivables	**2,450**	**5,423**	**–**	2,018	439	2
Trade and other payables	**(8,772)**	**(1,360)**	**(592)**	(1,972)	(3,967)	–
Net exposure arising from recognised assets and liabilities	**(6,322)**	**4,063**	**(592)**	46	(3,528)	2

27 Financial Risk Management and Fair Values (continued)

(D) CURRENCY RISK (Continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	As at 31 March			
	2017		2016	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits HK$'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits HK$'000
Euros	**6%**	**244**	3%	(106)
	(6)%	**(244)**	(3)%	106
Great British Pounds	**13%**	**(77)**	5%	–
	(13)%	**77**	(5)%	–

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purpose.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis is performed on the same basis for 2016.

(E) FAIR VALUE MEASUREMENT

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2017 and 2016.

28 Capital Commitments

Capital commitments outstanding at the end of each reporting period not provided for in the financial statements were as follows:

	As at 31 March	
	2017 HK$'000	2016 HK$'000
Authorised and contracted for		
– Acquisition of subsidiaries	**50,400**	–
– Purchase of non-current assets	**10,166**	19,980
	60,566	19,980

29 Operating Lease Commitments

The total future minimum lease payments of the Group under non-cancellable operating leases in respect of land and buildings are payable as follows:

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
Within 1 year	**39,469**	46,637
After 1 year but within 5 years	**37,845**	52,117
After 5 years	**588**	–
	77,902	98,754

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew the lease upon expiry when all terms are renegotiated. None of the leases includes contingent rentals.

30 Material Related Party Transactions

During the year, transactions with the following parties are considered to be related party transactions:

Name of related party	Relationship with the Group
Mr. Sum Kwong Yip, Derek	Chairman, Chief Executive Officer, Executive Director and one of the Controlling Parties
Mr. Lau Wing Hung	One of the Controlling Parties

In additions to the transactions and balances disclosed elsewhere in the financial statements, particulars of significant transactions between the Group and the above related parties during the year are as follows:

(A) TRANSACTIONS WITH A RELATED PARTY

During the year ended 31 March 2017, the Group transferred an investment of key management insurance contract for a consideration at HK$20,495,000 of which was equivalent to the surrender value of the key management contract at the transaction date, to Mr. Sum Kwong Yip, Derek, resulting in a net gain of HK$4,011,000.

(B) AMOUNTS DUE TO RELATED PARTIES

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
Amounts due to the Controlling Parties	**–**	36,202
Dividend payables	**–**	224,800

(C) KEY MANAGEMENT PERSONNEL EMOLUMENTS

All members of key management personnel are directors of the Company and their compensation is disclosed in note 6.

Total remuneration is included in "staff costs" (see note 4(B)).

(D) GUARANTEE ISSUED BY RELATED PARTIES

As at 31 March 2016, bank loans guaranteed by the personal guarantees given by the Controlling Parties amounted to HK$436,925,000 (see note 19(A)).

The Controlling Parties' personal guarantees were released and replaced by a corporate guarantee provided by the Company in the year ended 31 March 2017.

31 Immediate and Ultimate Controlling Party

At 31 March 2017, the directors consider the immediate parent and ultimate controlling party of the Group to be Kingshill Development Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

32 Non-adjusting Events After the Reporting Period

On 10 April 2017, the Group completed the acquisition of 70% of equity interests in Hong Ning Hong Limited at a cash consideration of HK$56,000,000. Management is still in the process of assessing the fair value of identifiable assets and liabilities of Hong Ning Hong Limited at the acquisition date and hence the disclosure of amounts to be recognised in each line item in the consolidated statement of financial position is impractical.

On 19 April 2017, pursuant to the Share Incentive Scheme adopted by the Company on 30 August 2016, an executive Director of the Company was granted share awards entitling him to acquire an aggregate of 6,000,000 ordinary shares of HK$0.01 each of the Company from The Jacobson Pharma (PTC) Limited.

33 Accounting Judgments and Estimates

KEY SOURCES OF ESTIMATION UNCERTAINTY

Key sources of estimation uncertainty are as follows:

(A) Valuation of net assets acquired at business combinations

The net assets acquired at business combinations are revalued by external professional qualified valuers at the end of each reporting period. Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. Any increase or decrease in the valuations would affect the fair value of net identifiable assets acquired.

(B) Impairment of intangible assets

In considering the impairment losses that may be required for the Group's intangible assets (including goodwill), the recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. It is difficult to precisely estimate the fair value less costs of disposal because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present values, which requires significant judgment relating to items such as the level of sales volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sales volume, selling prices and amount of operating costs.

Any increase or decrease in the above impairment losses would affect the net profit in future years.

34 Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for the Year Ended 31 March 2017

Up to the date of the financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 March 2017 and which have not been adopted in the financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7, *Disclosure initiative*	1 January 2017
Amendments to HKAS 12, *Recognition of deferred tax assets for unrealised losses*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The Group does not plan to early adopt any of the above new standards or amendments. The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position, except for the following.

HKFRS 9, FINANCIAL INSTRUMENTS

HKFRS 9 replaces the existing guidance in HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from HKAS 39. The directors anticipate that the application of HKFRS 9 in the future will not have significant impact on the Group's results of operations and financial position.

34 Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for the Year Ended 31 March 2017 (Continued)

HKFRS 15, REVENUE FROM CONTRACTS WITH CUSTOMERS

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including HKAS 18, Revenue, HKAS 11, *Construction contracts* and HK(IFRIC)-Int 13, *Customer Loyalty Programmes*. It also includes guidance on when to capitalise costs of obtaining or fulfilling a contract not otherwise addressed in other standards, and includes expanded disclosure requirements.

The directors are in the process of the performing assessment on the impact of HKFRS 15. Under HKFRS 15, an entity normally recognises revenue when a performance obligation is satisfied. Impact on the revenue recognition may arise when multiple performance obligations are identified. The directors do not identify this circumstance based on the current operation of the Group and anticipate no material impact on the financial performance.

HKFRS 16, LEASES

HKFRS 16 provides comprehensive guidance for the identification of lease arrangements and their treatment by lessees and lessors. In particular, HKFRS 16 introduces a single lessee accounting model, whereby assets and liabilities are recognised for all leases, subject to limited exceptions. It replaces HKAS 17 Leases and the related interpretations including HK(IFRIC)-Int 4 *Determining whether an arrangement contains a lease*.

Based on the preliminary assessment, the directors are of the opinion that the leases of certain properties by the Group which are currently classified as operating leases under HKAS 17 will trigger the recognition of right-of-use assets and lease liabilities in accordance with HKFRS 16. In subsequent measurement, depreciation (and, if applicable, impairment loss) and interest will be recognised on the right-of-use assets and the lease liabilities respectively, of which the amount in total for each reporting period is not expected to be significantly different from the periodic operating lease expenses recognised under HKAS 17. Apart from the effects as outlined above, it is not expected that HKFRS 16 will have a significant impact on the Group's results of operations and financial position upon adoption. The new standard is not expected to apply until the financial year ending 31 March 2020.

Principal Subsidiaries

At 31 March 2017

Details of the principal subsidiaries are as follows:

Company name	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest held by the Company	Proportion of ownership interest held by a subsidiary	Principal activities
A-Pharm Medical Limited	Hong Kong	160,000 ordinary shares	–	100%	Trading of pharmaceutical products
APT Pharma (China) Co., Ltd. (note (i)) 雅柏藥業(中國)有限公司	The People's Republic of China	HK$108,600,000	–	100%	Manufacturing and sales of pharmaceutical products
APT Pharma Limited	Hong Kong	8,750,000 ordinary shares	–	100%	Manufacturing and sales of pharmaceutical products
Carewell Pharma Limited	Hong Kong	10,000 ordinary shares	–	100%	Sale of healthcare and herbal products
Charmaine Pharmaceutical Company Limited	Hong Kong	1,100,000 ordinary shares	–	100%	Holding of pharmaceutical licenses
Citi-Ascent Limited	Hong Kong	1 ordinary share	–	100%	Procurement of packaging material
Emperor Kangxi (HK) Pharmaceutical Limited	Hong Kong	10,000 ordinary shares	–	100%	Sale of healthcare and herbal products
Europharm Laboratoires Company Limited	Hong Kong	18,000,009 ordinary shares	–	100%	Manufacturing and sales of pharmaceutical products
Frankin Pharmaceutical Laboratories Company Limited	Hong Kong	440,000 ordinary shares	–	100%	Holding of pharmaceutical licenses
Ho Chai Kung Medicine Manufactory Limited	Hong Kong	10,000 ordinary shares	–	100%	Manufacturing and sales of pharmaceutical products
Jacobson Group Management Limited	Hong Kong	10,000 ordinary shares	–	100%	Provision of management services to group companies
Jacobson Group Treasury Limited	Hong Kong	10,000 ordinary shares	–	100%	Provision of treasury services to group companies

Details of the principal subsidiaries are as follows: (Continued)

Company name	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest held by the Company	Proportion of ownership interest held by a subsidiary	Principal activities
Jacobson Medical (Hong Kong) Limited	Hong Kong	26,628,000 ordinary shares	–	100%	Trading of medical supplies and pharmaceutical products
Jacobson Research Laboratory Limited	Hong Kong	10,000 ordinary shares	–	100%	Research and development
Janker Limited	Hong Kong	10,000 ordinary shares	–	100%	Trading of Chinese medicines
Jean-Marie Pharmacal Company Limited	Hong Kong	48,193,657 ordinary shares	–	100%	Manufacturing and sales of pharmaceutical products
Jetstar Company Limited	Hong Kong	10,000 ordinary shares	–	100%	Manufacturing and sales of Chinese medicines
Karen Pharmaceutical Company Limited	Hong Kong	100,000 ordinary shares	–	100%	Manufacturing and sales of pharmaceutical products
Li Chung Shing Tong (Holdings) Limited	Hong Kong	500,000 ordinary shares	–	64%	Manufacturing and sales of Chinese medicines
Li Chung Shing Tong (S) Pte Limited	Singapore	50,000 ordinary shares at S$1 each	–	100%	Trading of Chinese medicines
Li Chung Shing Tong (Trading) Limited	Hong Kong	10,000 ordinary shares	–	64%	Trading of Chinese medicines
Ling Chi Medicine (H.K.) Limited	Hong Kong	10,000 ordinary shares	–	100%	Manufacturing and sales of pharmaceutical products and Chinese medicines
Marching Pharmaceutical Limited	Hong Kong	10,000,000 ordinary shares	–	100%	Manufacturing and sales of pharmaceutical products
Marching Pharmaceutical Trading Limited	Hong Kong	10,000 ordinary shares	–	100%	Trading of pharmaceutical products

Details of the principal subsidiaries are as follows: (Continued)

Company name	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest held by the Company	Proportion of ownership interest held by a subsidiary	Principal activities
Medipharma Limited	Hong Kong	47,340 ordinary shares	–	100%	Manufacturing and sales of pharmaceutical products
Melborn Limited (note (ii))	Hong Kong	5,000,000 ordinary shares	–	100%	Properties holding
Neochem Pharmaceutical Laboratories Limited	Hong Kong	3,000,000 ordinary shares	–	100%	Manufacturing and sales of pharmaceutical products
Nice Laboratories Limited	Hong Kong	1,000,000 ordinary shares	–	100%	Holding of pharmaceutical licenses
Pharmason Company Limited	Hong Kong	10,000 ordinary shares	–	100%	Trading of pharmaceutical products
Singmalay Company Limited	Hong Kong	10,000 ordinary shares	–	100%	Manufacturing and sales of Chinese medicines
Synco (H.K.) Limited	Hong Kong	46,800 ordinary shares	–	100%	Manufacturing and sales of pharmaceutical products
Tong Tai Chung Herbs Medicine Manufacturing Limited	Hong Kong	10,000 ordinary shares	–	100%	Inactive
Universal Pharmaceutical Laboratories, Limited	Hong Kong	5,000 ordinary shares	–	100%	Holding of pharmaceutical licenses
Vickmans Laboratories Limited	Hong Kong	661,650 ordinary shares	–	100%	Manufacturing and sales of pharmaceutical products
Vincents Pharma Trading Company Limited	Hong Kong	100,000 ordinary shares	–	100%	Trading of pharmaceutical products

Notes:

(i) The official name of the entity is in Chinese. The English name is for identification purpose only. The company was registered as a wholly foreign-owned enterprise under the PRC law.

(ii) The Group acquired this entity at a consideration of HK$81.8 million in January 2017 for the purpose of acquiring the production premise held by this entity. This acquisition was classified as an asset acquisition.

Four-year Financial Summary

(Expressed in Hong Kong dollars)

A summary of the results and of the assets and liabilities of the Group for the last four financial years is as follows:

	Year ended 31 March			
	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**1,255,957**	1,083,856	947,591	926,181
Cost of sales	**(699,069)**	(596,101)	(562,883)	(501,339)
Gross profit	**556,888**	487,755	384,708	424,842
Other income/(loss)	**11,740**	(465)	6,005	65,172
Selling and distribution expenses	**(145,350)**	(133,807)	(105,061)	(97,974)
Administrative and other operating expenses	**(188,036)**	(167,963)	(146,810)	(169,123)
Profit from operations	**235,242**	185,520	138,842	222,917
Finance costs	**(13,996)**	(2,523)	(2,707)	(5,969)
Profit before taxation	**221,246**	182,997	136,135	216,948
Income tax	**(39,986)**	(30,335)	(22,157)	(32,247)
Profit for the year	**181,260**	152,662	113,978	184,701
Profit attributable to:				
Shareholders of the Company	**179,328**	145,610	101,904	172,357
Non-controlling interests	**1,932**	7,052	12,074	12,344
Total profit for the year	**181,260**	152,662	113,978	184,701

	As at 31 March			
	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Total non-current assets	**2,136,155**	1,322,061	1,311,176	1,011,869
Total current assets	**833,912**	499,989	394,035	444,940
Total current liabilities	**1,058,489**	816,835	650,238	488,914
Total non-current liabilities	**139,260**	49,070	48,338	50,908
Net current liabilities	**224,577**	316,846	256,203	43,974
Total assets less current liabilities	**1,911,578**	1,005,215	1,054,973	967,895
Net assets	**1,772,318**	956,145	1,006,635	916,987

Glossary

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

"adjusted EBITDA"	earnings before interest, taxes, depreciation and amortisation, where "interest" is regarded as including interest income and interest expenses and "depreciation and amortisation" is regarded as including impairment losses on non-current assets, further adjusted for non-recurring items not attributable to the operations of individual segments
"adjusted EBITDA margin"	adjusted EBITDA divided by revenue and multiplied by 100%
"adjusted profit attributable to shareholders"	profit attributable to the Shareholders excluding one-off listing expense
"AGM"	the forthcoming 2017 annual general meeting of the Company
"Articles of Association"	the articles of association of the Company currently in force
"associate(s), chief executive(s), connected person(s), substantial shareholder(s)"	each has the meaning as described in the Listing Rules
"Board"	Board of Directors
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this Annual Report, Hong Kong, Macau Special Administrative Region and Taiwan
"Company" or "our Company" or "the Company"	Jacobson Pharma Corporation Limited, an exempted company incorporated in the Cayman Islands with limited liability on 16 February 2016
"Controlling Shareholders"	Mr. Sum, Mr. Lau, Kingshill, Kingshill Development Group Inc and Longjin
"Deed of Acting in Concert"	the deed of acting in concert dated 8 January 2016 entered into between Kingshill, Longjin and Mr. Lau whereby they confirmed the existence of their acting in concert arrangement
"Director(s)"	the director(s) of the Company
"FY2016"	the year ended 31 March 2016
"FY2018"	the year ended 31 March 2018
"GMP"	Good Manufacturing Practice, a set of detailed guidelines on practices governing the production of pharmaceutical products designed to protect consumers by minimising production errors and the possibility of contamination
"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)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSTP"	Hong Kong Science and Technology Parks Corporation
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited
"Hong Ning Hong Group"	Hong Ning Hong Limited and one of its wholly-owned Hong Kong subsidiary

"HKIB"	Hong Kong Institute of Biotechnology
"Kingshill"	Kingshill Development Limited, a limited liability company incorporated under the laws of BVI on 8 July 1998, and one of our Controlling Shareholders
"Listing"	the listing of the Shares on the Main Board
"Listing Date"	21 September 2016, the date on which the Shares were listed on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Longjin"	Longjin Investments Limited, a limited liability company incorporated under the laws of BVI on 30 August 1994 and one of our Controlling Shareholders
"Main Board"	Main Board of the Stock Exchange
"Medipharma"	Medipharma Limited
"NAMI"	Nano & Advanced Materials Institute Limited
"Mr. Lau"	Mr. Lau Wing Hung, one of our Controlling Shareholders
"Mr. Sum"	Mr. Sum Kwong Yip, Derek, our chairman, executive Director, chief executive officer and one of our Controlling Shareholders
"net debts"	bank loans, overdrafts and other loans less cash and cash equivalents
"net gearing ratio"	net debts divided by total equity multiplied by 100%
"PIC/S"	two international instruments, the Pharmaceutical Inspection Convention and the Pharmaceutical Inspection Co-operation Scheme, which seek to promote constructive co-operation in the field of GMP between the participating authorities in different geographic markets
"PIC/S GMP"	Good Manufacturing Practice in accordance with the PIC/S GMP Guide issued by PIC/S
"Prospectus"	the prospectus issued by the Company dated 8 September 2016
"Private Sector"	refers to non-Public Sector
"Public Sector"	refers to all public institutions and a number of public institutions and clinics in Hong Kong
"Queenshill"	Queenshill Development Limited, a limited liability company incorporated under the laws of BVI on 12 December 2012
"R&D"	research and development
"Reporting Period" or "FY2017"	the year ended 31 March 2017
"Risk Management Committee"	a working committee reporting to the Audit Committee of the Company on the Group's risk-related matters
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time

"Share(s)"	ordinary share(s) in the capital of the Company with nominal value of HK$0.01 each
"Shareholder(s)"	holder(s) of Shares
"Share Incentive Scheme"	the share incentive scheme conditionally adopted by our Company on 30 August 2016, the principal terms of which are summarised in "Statutory and General Information — D. Other Information — 2. Share Incentive Scheme" in Appendix V to the Prospectus
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 30 August 2016, the principal terms of which are summarised in "Statutory and General Information — D. Other Information — 1. Share Option Scheme" in Appendix V to the Prospectus
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"The Kingshill Trust"	The Kingshill Trust is a discretionary trust established by Mr. Sum (as settlor) on 16 May 2016 with Mr. Sum and his family members as the discretionary beneficiaries
"The Queenshill Trust"	The Queenshill Trust is a discretionary trust established by Mr. Sum (as settlor) on 16 May 2016 with Mr. Sum and his family members as the discretionary beneficiaries