Staying Focused On Long Term Priorities

JACOBSON PHARMA CORPORATION LIMITED

Incorporated under the laws of the Cayman Islands with limited liability

Stock Code : 2633

Annual Report 2020

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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
Mr. Young Chun Man, Kenneth
Professor Wong Chi Kei, Ian

AUDIT COMMITTEE

Mr. Young Chun Man, Kenneth (Chairman)
Dr. Lam Kwing Tong, Alan
Professor Wong Chi Kei, Ian

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Professor Wong Chi Kei, Ian (Chairman)
Dr. Lam Kwing Tong, Alan
Mr. Young Chun Man, Kenneth
Mr. Yim Chun Leung

AUTHORISED REPRESENTATIVES

Mr. Yim Chun Leung
Ms. Pun Yue Wai

COMPANY SECRETARY

Mr. Yim Chun Leung

REGISTERED OFFICE

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

HONG KONG HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS

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 54, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

KPMG
Certified Public Accountant
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

PRINCIPAL BANKERS

(In alphabetical order)
China Construction Bank (Asia) Corporation Ltd.
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

PUBLIC RELATIONS CONSULTANT

Strategic Public Relations Group

INVESTOR RELATIONS

Email: jacobsonpharma@sprg.com.hk

STOCK CODE

2633

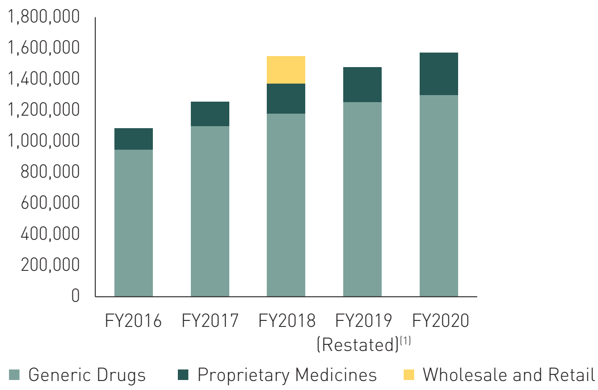
COMPANY WEBSITE

www.jacobsonpharma.com

FINANCIAL HIGHLIGHTS

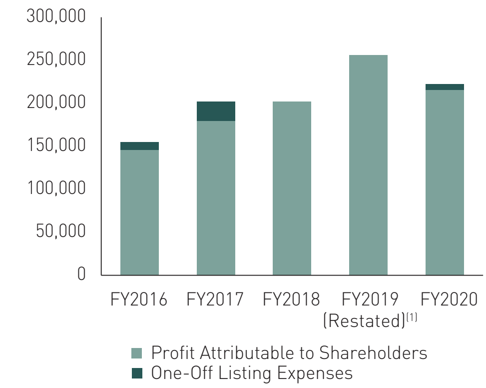
Revenue

(HK$'000)



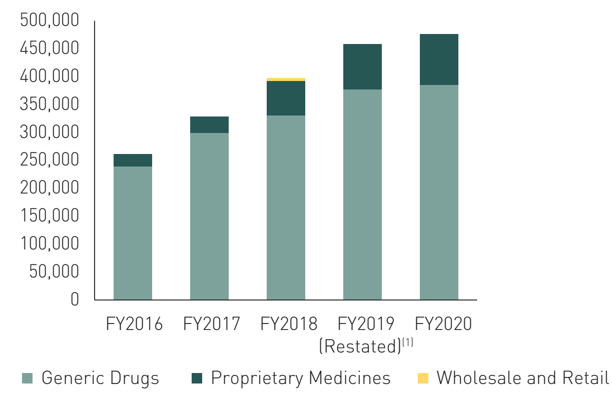
Adjusted Profit Attributable to Shareholders

(HK$'000)



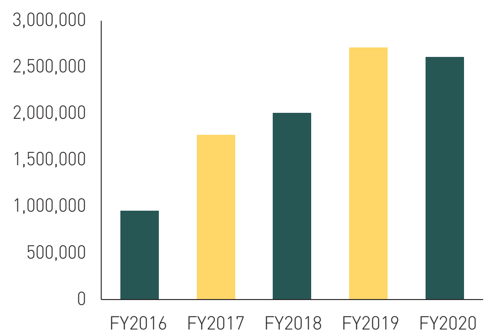
Adjusted EBITDA

(HK$'000)



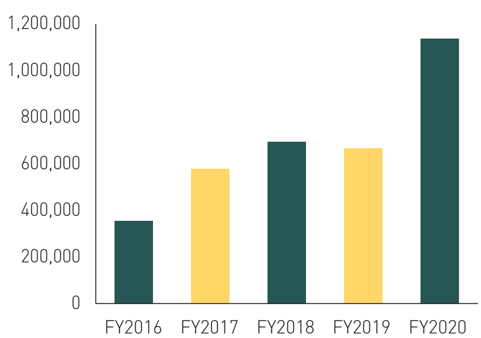
Net Assets

(HK$'000)

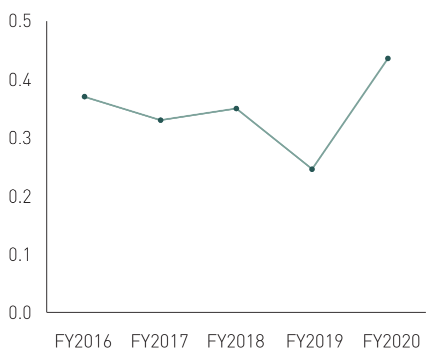


Net Debts

(HK$'000)



Net Gearing Ratio



	Year ended 31 March 2020 HK$'000	Year ended 31 March 2019 (Restated)[1] HK$'000	Change
Revenue from continuing operations			
– Generic Drugs	1,298,698	1,253,022	+3.6%
– Proprietary Medicines	272,761	225,103	+21.2%
Total	1,571,459	1,478,125	+6.3%
Gross profit	689,978	674,651	+2.3%
Gross profit margin (%)	43.9%	45.6%	
Profit attributable to shareholders of the Company	215,631	250,561	-13.9%
Profit margin attributable to shareholders of the Company (%)	13.7%	17.0%	
Adjusted EBITDA[2]	476,246	458,199	+3.9%
Adjusted EBITDA margin (%)[3]	30.3%	31.0%	
Return on equity (%)[4]	8.3%	11.0%	

	As at 31 March 2020 HK$'000	As at 31 March 2019 HK$'000	Change
Total assets	4,580,200	4,260,594	+7.5%
Total liabilities	1,974,107	1,573,456	+25.5%
Total equity	2,606,093	2,687,138	-3.0%

(1) The wholesale and retail segment has been classified as discontinued operations of the Group for the year ended 31 March 2020. In accordance with Hong Kong Financial Reporting Standard 5, *Non-current Assets Held for Sale and Discontinued Operations*, the Group has restated the comparative information in 2019 in this regard.

(2) 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 share of profits less losses of associates, share of losses of joint ventures and non-recurring items not attributable to the operations of individual segments.

(3) Adjusted EBITDA margin is calculated based on adjusted EBITDA divided by revenue from continuing operations and multiplied by 100%.

(4) 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,

"Continuing Jacobson's evolution: We remain focused on executing our core strategy of transforming Jacobson into a forward-looking regional player with our embedded vision and relentless drive for excellence."

The Jacobson team worked diligently to deliver a resilient performance for the financial year ended 31 March 2020 amidst adverse market conditions caused by the negative impact of social unrest and the coronavirus pandemic. We continued to progress with the evolution of our business in order to sustain our position in the ever-changing landscape in the region. Strength in our key products along with a disciplined focus on operational efficiencies helped us deliver steady growth on sales, gross profit and EBITDA. Group sales grew by 6.3% to HK$1,571.5 million whilst gross profit posted a net income of HK$690.0 million, up 2.3%. A good achievement in the first half of the year was offset by the negative sentiment we encountered in the last quarter of the year owing to the Covid-19 outbreak. Cash generated from operations reached HK$428.4 million despite the rather difficult sentiment prevailing in the market in the fourth quarter.

Over the course of the year under review, we made noteworthy progress on the multifaceted strategies we set out in our 3-year growth plan. We strengthened our product pipelines, expanded our geographic reach and capabilities, and reinforced our market position by completing two acquisitions. We also divested our majority stakes in non-core wholesale and retail business to better align Jacobson with the new strategic platform to be introduced in our vision statement for 2020.

During the financial year ended 31 March 2020, we submitted over 27 regulatory filings for new drug registration and added 19 new products into our portfolio which include difficult-to-make products such as Perindopril Tablets, Diltiazem Controlled Released Tablets, Atomoxetine Capsules and Mesalazine Enteric Coated Tablets. We are particularly pleased about the progress that we made in establishing bioequivalence profiles for Atomoxetine capsules and Mesalazine tablets, living proof of our ongoing efforts to invigorate our presence in the central nervous system and gastro-intestinal therapeutic categories. On the strategic development front, we have reached a preliminary agreement with Vemedia (the Netherlands) to represent their Excilor skin-tag brand in Taiwan and Excilor pen solution in South Korea as an extension of our ongoing collaboration on the Excilor brand in China. This marks a noteworthy milestone in our relentless drive for business expansion in the Asia and Greater China regions.

Whilst we have delivered well on the pillar strategies this year, there is still a significant amount of work underway to transform how we operate, expand our capabilities, and make us more efficient. In our manufacturing operations, we are adding capabilities in areas such as sterile injectables, suppositories and dry granulation facilities. In our sales operations, we will continue to invest in digital technologies to make our work more cost-effective whilst we consider making a foray into the cross-border e-commerce arena where we see ample growth opportunities for us to exploit.

"Embracing transformation: We expect to see raised awareness and demand on over-the-counter and self-care products which the Jacobson's branded healthcare portfolio is well placed to cater to."

The dynamic and challenging market environment requires us to continually assess our position to ensure that our business remains relevant and strategically aligned. Adapting the business model to acclimatise to evolving circumstances is one of our key strengths and has seen us move from a predominantly generics business to a comprehensive business characterised by proprietary medicines and branded healthcare products. Going forward, we will continue to strive for business excellence across all divisions as we pursue our goal of creating two separate and nimble platforms through a spin-off of our branded self-care business from the Group. This separation initiative serves as a catalyst to reset capabilities and cost base, and helps deliver a value-creation opportunity for both businesses. It is also a significant step forward in terms of shaping Jacobson into a company comprising two enterprises, one being intently focused on its core generic drugs and specialty medicines business whilst the other is principally focused on consumer health and wellness product offerings. Along those lines, we are thrilled to introduce a new vision of self-care in health and a consumer-focused strategy which expands our opportunities and frame of reference for growth. By leveraging our core competencies and riding on the consumer preference towards over-the-counter and self-care products, we are confident that this transformation strategy will create growth opportunities of significant value to our shareholders in the long term.

"Our strength lies in our people: Their total commitment to business excellence remains the key factor for Jacobson's success."

While we know that challenges still lie ahead, given the momentum we have already achieved in consolidating our position we expect to see a healthy and sustained growth for our business in the coming years. Our people and their commitment to excellence is the most important reason for why Jacobson is thriving. While we have had many successes, the past year has been one filled with immense challenges. I would like to recognise the enormous contributions and hard work of our employees whose passion and commitment is the driving force for growth on every front. They are helping us with the transformation shift which I believe will be the key performance driver for Jacobson in years to come. It will take time, but I am confident that this new self-care vision will take hold and bear fruit for us in the long term.

On the whole, we delivered a strong and steady performance despite the tremendous headwinds we faced throughout the year. Looking ahead, we are well-positioned to continue our growth trajectory as we focus on delivering operational excellence, investing in our pipelines and portfolio, and preparing Jacobson for a streamlined spin-off of its consumer health business in 2021. All of these initiatives aim to support future growth and build value creation opportunity that lies ahead of us.

I thank you for the confidence you have placed in our company and am pleased to propose a final dividend of HK2.5 cents per share at the next annual general meeting, which when combined with the interim dividend would represent a full year dividend payout of HK4.5 cents per share.

Sincerely,

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

Hong Kong, 30 June 2020

CORPORATE VISION AND MISSION

OUR VISION

At Jacobson, we aspire to be an eminent player in essential medicines and consumer healthcare solutions in Asia.

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

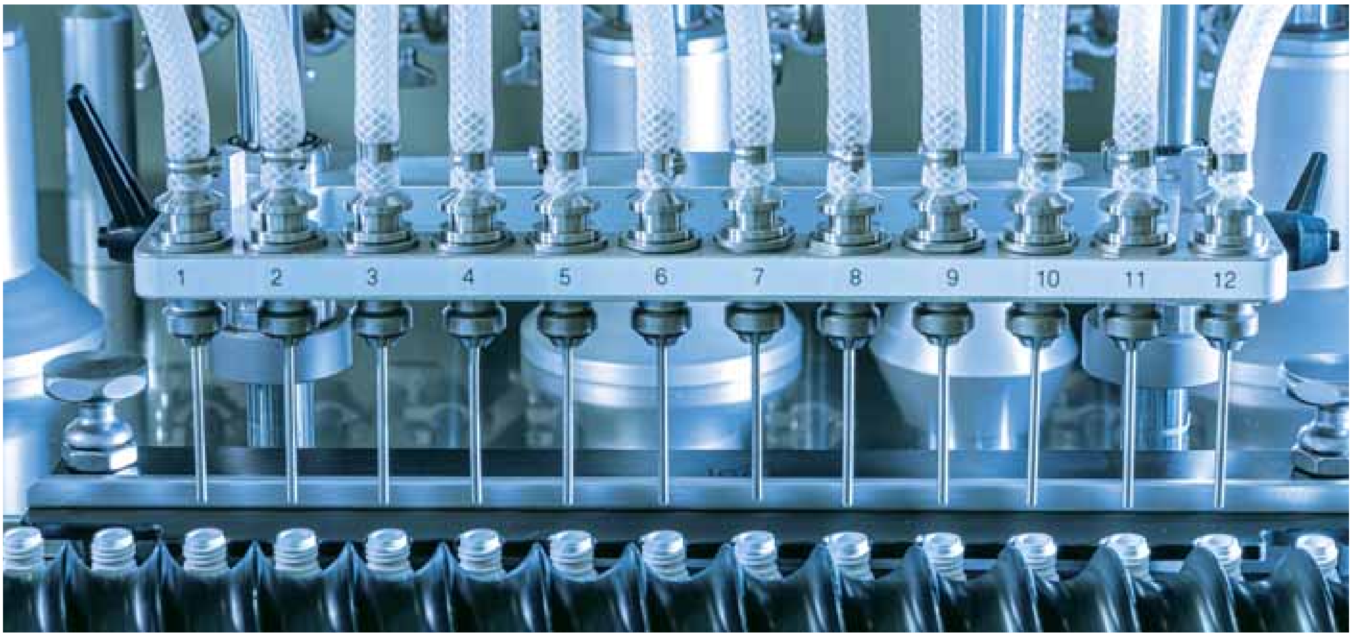
We proactively venture into uncharted turf for exploring opportunities. We go the extra-mile for attaining excellence via innovative solutions.

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 a leading pharmaceutical company in Hong Kong vertically integrated in the research, development, production, sale and distribution of generics, specialty drugs, proprietary medicines and consumer health and wellness products. As a major provider of generic drugs in Hong Kong, the Group has one of the most extensive sales and distribution coverage for both the private and public market sectors in Hong Kong, with an expanding reach into strategically selected Asian markets. Carrying a broad product portfolio and taking a pre-eminent market position in a number of therapeutic categories, the Group operates a host of 9 licensed production facilities for generic drugs in Hong Kong. The Group also operates 2 GMP-accredited production facilities for proprietary Chinese medicines located in Hong Kong.

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 Essential and Specialty Drugs 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, cementing our position as a leader in a number of large and fast-growing therapeutic categories in the Hong Kong pharmaceutical market. We continually expand our portfolio to reinforce our leadership position with a strategic focus on specialty drugs and biosimilars to tap the fast growing market segments.

- ### 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 local and regional market coverage for the proprietary medicine brands we have acquired.

- ### Leading Research and Development Capabilities That Can Develop Premium Generic Drugs and Healthcare Solutions to Fulfill Unmet Demands

  We are a leading pharmaceutical research and development company in Hong Kong among generic drug 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 actively explore collaborations with local and overseas R&D institutions and companies on the development of innovative technologies for pharmaceutical manufacturing and diagnostic tools.

- ### Well-Established Sales and Distribution Network With Extensive Market Coverage

  We have extensive local market penetration, covering substantially all of the Public and Private Sector institutions and registered pharmacies, as well as 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. We are also committed to the strategy of expanding our regional presence into strategically selected markets in Asia Pacific.

MANAGEMENT DISCUSSION & ANALYSIS

PIC/S GMP accredited manufacturing facilities at Synco (H.K.) Limited of the Group – bottle preparation and oral liquid filling machine

BUSINESS REVIEW

Hong Kong's economy has been hit hard by consecutive crises over the past year as a result of the prolonged U.S.– China trade war, social unrest, and the recent outbreak of the Covid-19 pandemic. The magnitude of this impact is unprecedented and has spread to almost every industry in the local economy, resulting in an austere outlook in the short term despite the economy's generally resilient nature.

Pressure has been mounting on the business performance of the Group – particularly with the ongoing coronavirus outbreak which has taken a heavy toll on different local economic sectors resulting in steep falls of commercial activity. Despite these headwinds, the Group posted a 6.3% year-on-year growth to bring its total revenue to HK$1,571.5 million. Gross profit grew by 2.3% to HK$690.0 million and profit attributable to shareholders amounted to HK$215.6 million, a decrease of 13.9% mainly attributable to the one-off revaluation gains recognised in the previous year, the increase in investments and operating expenses in setting up a regional management structure, and one-off professional expenses in preparing for the separation of the Group's consumer health business.

The Group continued to foster its preeminent position in the generic drugs market in Hong Kong through adamant efforts in product portfolio enhancement as well as in market penetration to meet demands from both the Public and Private Sectors. Backed by its strong market position, the generics business of the Group registered an overall positive growth despite being adversely affected by the recessive economy in the last quarter of the year.

The resilience of the Group's proprietary medicines business buttressed by our brand building and product marketing efforts has given us the strength to endure the impact from the highly distressed retail sector. Some of the Group's well-recognised proprietary medicine brands managed to deliver moderate growth even amidst the overwhelming challenges of the retail market.

The Group made solid progress in business development, successfully forging strategic collaborations with multinational partners that cover the in-licensing and technology transfer of complex generic drugs and the representation of reputable branded products in Greater China and Asia. By leveraging its regional commercial operations to tap into the burgeoning consumer healthcare market, the Group is also actively building its branded healthcare business; comprised of a strategically selected portfolio of branded medicines, proprietary Chinese medicines, and health and wellness products including health supplements, personal care products and diagnostic kits. We believe that by building on the reputation, expertise and network resources of the Group, we are competitively positioned to deliver consumer-preferred and science-based products to answer the rising demand for self-care consumer health management in a fast-growing market sector in Greater China and Asia as a whole.

RESILIENT GENERICS BUSINESS PERFORMANCE

For the past 12 months in review, Hong Kong has experienced an unprecedented period of social instability amidst the coronavirus pandemic. The economy of Hong Kong – particularly the domestic trade and retail sector – was seriously battered by a deep plunge in visitors from China and overseas due to social unrest; exacerbated by the travel ban, home isolation and social distancing measures put in place because of the Covid-19 outbreak. This has impacted our generics business mostly because of the hard-hit retail market, a significant reduction of private clinic patients due to home-isolation practices, as well as the early end of flu season – a result of the mask-wearing practices of the public for infection prevention during the Covid-19 pandemic.

Integrated granulation production line of the Group

Quality control laboratory
at Synco (H.K.) Limited

In spite of this, the Group's generics business managed to achieve a modest increase in revenue, presenting a year-on-year growth of 3.6% to HK$1,298.7 million for the financial year ended 31 March 2020, attributable to the solid foundation of the business and the persistent efforts of the team in fending off challenges.

Broad and Targeted Product Portfolio to Fulfill Market Demands

We have established a strong portfolio of generic drugs and have fostered leadership in a number of therapeutic classes in the Hong Kong. Our broad and targeted portfolio offers a comprehensive suite of generic drugs, providing a one-stop solution for both the Public and Private Sectors to meet the escalating healthcare demand; the result of an aging population and the prevalence of chronic diseases.

The Group's offerings in therapeutic sectors demonstrated strong growth during the Reporting Period. For instance, the Group's oral anti-diabetic and anti-ulcerative product classes registered a robust growth of 42.3% and 34.1% respectively. This growth can be attributed to the award of new public tenders as well as the increasing usage of these essential medicines in disease management.

In addition, the Group's cardiovascular products achieved a sales growth of 28.4% and the Group's non-steroidal anti-inflammatory drugs (NSAIDs) grew by 28.7% due to new businesses secured in the Public Sector.

The Group also secured first-time public tenders for drugs including Perindopril Tablets, Diltiazem Controlled Release Tablets 30mg, Mesalazine Enteric Coated Tablets 500mg, Atomoxetine Capsules 40mg and Thymol Gargle Compound Mouthwash during the Reporting Period.

Within our Private Sector sales, angiotensin II receptor antagonists, beta-blockers and calcium-channel blockers all performed well; recording strong growths of 96.0%, 15.9% and 18.4% respectively during the Reporting Period. Our hypnotic products within central nervous system treatments likewise posted a notable growth of 20.7%. The non-steroidal anti-inflammatory drugs class also delivered a decent growth of 14.1% with the launch of new products including Celecoxib Capsules and Etoricoxib Tablets.

Suppositories production facilities
at Europharm Laboratoires Company Limited
of the Group

Supply of WHO Alcohol Hand Rub to Public Hospitals for Covid-19 Infection Control

Owing to the Covid-19 outbreak which started in February 2020, there was a massive surge in demand for antiseptic alcohol hand rub in public hospitals. As the major local pharmaceutical manufacturer and supplier, the Group implemented an urgent production plan with specially mobilised resources to ensure that we could produce and supply a sufficient amount of alcohol hand rubs formulated to the WHO's recommendations ("WHO Alcohol Hand Rubs") to public hospitals, clinics, and port health control counters to help medical and healthcare professionals in the fight against the Covid-19 pandemic.

As of 31 March 2020, within 6 weeks the Group has supplied more than 117,000 500ml bottles and 120,000 100ml bottles of WHO Alcohol Hand Rubs to public hospitals and institutions to meet the surging demand.

Introduction of New Products

We are committed to continuing our efforts to introduce quality generics to meet medical and patient needs. During the Reporting Period, we have launched a number of new products including Diltiazem Controlled Release Tablets, Dihydrocodeine Tablets, Perindopril Tablets, Propranolol Oral Solution, Mesalazine Enteric Coated Tablets 500mg and Finasteride Tablets. Due to increased demand, the Group also resumed the supply of Hydroxychloroquine Tablets to meet market needs.

During the Reporting Period, the Group also secured registration approvals for a number of new products under its research and development ("R&D") pipeline, for instances, anti-histamines class Desolratadine Tablets, dermatological class Metronidazole Gel, antipsychotic class Haloperidol Tablets, as well as preparations for Ofloxacin Eye and Ear Drops and Homatropine Hydrobromide Eye Drops.

Extending CRM Platform to E-commerce for Full Sales and Customer Supports

With the successful implementation of our sales effectiveness program powered by an advanced cloud-based customer relationship management ("CRM") digital platform, our sales team has been empowered with mobile ordering capabilities for online inventory information access, and boosted sales efficiency and productivity for order placement in the field.

Upon completing the second-phase of our CRM implementation program, our sales team will be equipped with effective tools for customer targeting through a tailored electronic sales call planning and reporting system designed to strengthen our capability to identify, connect, and serve prospective customers to drive market penetration.

In the third phase of the implementation plan, this CRM platform will be extended and transformed into an e-commerce operating platform for comprehensive sales order and customer service management support. Under the e-commerce platform, business transactions such as order placement, product enquiries, order and shipment confirmation as well as payment settlement can be completed through a simple and efficient online process. Customers can also check their order history – including order patterns and price information – on the platform which will also create additional channels for the sales team to promote products, serve customer enquiries and to answer their needs in a responsive and efficient manner.

TAPPING NEW MARKET POTENTIALS WITH HIGH VALUE-ADDED OFFERINGS

To supplement our R&D pipeline and broaden our portfolio of specialty drugs to tap into new potentials of the market, the Group has been actively forging collaborations with multinational partners. These cover the in-licensing and technology transfer of high-end generic drugs, biosimilars and medical devices, as well as the representation of finished brand products in the Asia Pacific region leveraging our regional commercial platform.

During the Reporting Period, the Group has signed in-license regional agreements with reputable manufacturers in the Netherlands, Greece, Spain, South Korea and Taiwan for a total of 79 difficult-to-make specialised drugs. These cover several therapeutic classes including cardiovascular, central nervous system, infectious diseases, oncology, gastrointestinal ophthalmology amongst others, as well as an RSV (Respiratory Syncytial Virus) and Influenza rapid diagnostics test kit. Among them, 23 items are eligible for tender bidding in the coming years. Furthermore, the Group has acquired marketing authorisation for 22 of the above items in Hong Kong which have been launched in the Private Sector, with 12 of them participating in public tender during the Reporting Period.

BUILDING LEADERSHIP FOR REPRESENTED BRANDS

Being the exclusive distributor of the Oncotype DX® Breast Cancer Recurrence Score Test by Genomic Health, Inc. – the world's leading provider of genomic-based diagnostic tests – in Hong Kong and Macau, the Group has been delivering encouraging growth for the product with an increasing market share amongst early stage breast cancer patients under the enrollment program in collaboration with the Hong Kong Breast Cancer Foundation. The product has also been successfully listed in the public hospitals of Macau. In total, it has a coverage of more than 60% of the top surgeons and oncologists both in Hong Kong and Macau. As a result of a rising awareness of the benefits of precise diagnosis and personalised treatment for breast cancer, the Group is well-poised to leverage its extensive sales network and close rapport with medical professionals to exploit the potential of the market for the Oncotype DX® test.

Po Chai Pills' 2018/19 creative advertising campaign themed "Fast Relief of 5 Major Gastrointestinal Problems"

Sterile eye drops manufacturing facilities at Jean-Marie Pharmacal Company of the Group

The Group is the exclusive distributor of Atropine 0.01%, 0.05% and 0.125% eye drops – which slow down the progression of myopia for young children with clinically-proven efficacy – in the regional markets of Hong Kong, Macau, Singapore, Malaysia and the Guangdong Province of China. Driven by strong sales penetration and ophthalmologists' recommendations, the product has taken up a leading position in the market. Our business development team has also collaborated with the Department of Ophthalmology and Visual Sciences of The Chinese University of Hong Kong in clinical research on "Low-Concentration Atropine for Myopia Prevention Study (LAMP-2)". One of the primary objectives of this study is about changing the clinical paradigm of treatment for myopia progression and prevention.

The Group also entered an exclusive distribution agreement with Vemedia for the marketing and distribution of products under the renowned medicated foot care brand Excilor in the market of Mainland China. Excilor prides itself as a specialist in medicated foot care and enjoys a preeminent position in the over-the-counter (OTC) market for the treatment of nail infections. This strategic partnership synergises the strengths and resources of the Group and Vemedia. By riding on its established market network, the Group aims to build a strong position for the Excilor brand whilst tapping into the fast-growing nail and foot care market in China.

The Group has signed a joint venture agreement with Kin Fung Weisen-U Company Limited to distribute and sell certain Kin Fung Weisen-U products – including the well-recognised gastrointestinal OTC drug "Weisen-U" and the popular nasal spray brand "Flucur Nebuliser" – to new markets in the Asia Pacific region, as well as to explore and develop product extensions set to broaden the proprietary medicine platform of the Group in support of its regional brand strategy.

Targeting the functional food and Food for Special Medical Purpose markets, the Group has also had a head start in the launch of two medical nutrition products in Hong Kong, namely Aterinorm from Difass in Italy and Gynositol from Indigo in France. Arterinorm is a health supplement containing a complex composition of natural substances that are beneficial for the physiological control of cholesterol plasma level with well-documented efficacy. In the consumer nutrition arena, the Group has entered an in-license agreement with Smartfish from Norway in a strategic collaboration to launch its clinically tested health and sports nutrition drinks in Asia. Smartfish is the official supplier of sports nutrition drinks for Tottenham Hotspur Football Club from the English Premier League and the products are currently used by top athletes, both professional and amateur.

LAUNCH OF DR. FREEMAN® BRANDED HEALTHCARE SERIES

The Group launched its first home diagnostic product for influenza/RSV under the proprietary brand name "Dr. Freeman® Flu/RSV Combo" in Hong Kong and Macau. Dr. Freeman® Flu/RSV Combo is a handy one-step home diagnostic test designed to qualitatively determine specific types of Influenza A and B virus and respiratory syncytial virus with test results available in 8 minutes. This product is the first of many home diagnostic products to be launched under the branded healthcare business platform of the Group. As a convenient, speedy and specific self-diagnostic tool for the communicable disease, this product can benefit the public enormously by helping influenza/RSV infected patients seek prompt and effective medical treatment at the onset of the illnesses, especially during peak flu season.

In response to the public's pressing demand for protection against infection at the onset of the coronavirus outbreak, the Group launched a new range of hand disinfectant products under the brand "Dr. Freeman® Infection Control Series". With well-tested efficacy in sterilising the coronavirus, this product line is comprised of two antiseptic handrubs with different alcohol-based formulations recommended by the WHO – widely used for hygienic hand antisepsis and pre-surgical hand preparation. The products are manufactured under the Group's PIC/S GMP accredited manufacturing facilities and employ alcohol ingredients that fully comply with the British Pharmacopoeia and US Pharmacopoeia grade for safe use on the skin. The microbicidal activity of the product formulations are confirmed by WHO reference laboratories according to the European Standards EN 1500.

RESILIENCE OF PROPRIETARY MEDICINE BRANDS

Overshadowed by the political unrest and the coronavirus outbreak hitting the local economy, the performance of the Group's proprietary medicines business also contended with pressure from the ravaged retail sector during the Reporting Period. Nevertheless, with the incorporation of our newly acquired proprietary Chinese medicine business, sales revenue of the Group's proprietary medicine segment posted a 21.2% growth at HK$272.8 million.

The Group carries a strong portfolio of generic drugs and has established leadership in a number of therapeutic classes in the Hong Kong

Despite the economic distress, proprietary brands such as Ho Chai Kung, the well-recognised heritage brand in the analgesics category, delivered a notable growth of 10.8% versus the same period of last year. Shiling Oil, a medicated oil brand of the Group, presented a growth of 8.4% in overseas markets building on its strong tradition and recognition backed by persistent market development efforts. Both of these demonstrate the resilient performance of the Group's proprietary brands.

To capitalise on the reach and penetration of major cross-border online shopping platforms in China, we have been exploring options and opportunities for marketing and selling the Group's proprietary brand products with this newly introduced e-commerce model. Po Chai Pills, for example, has been successfully listed in the two cross-border e-commerce online platforms in China, namely JD.com (京東全球購) and TMall (天貓國際), where Chinese consumers can directly make purchases of products online with cross-border door delivery service.

Tapping further into the potential of the fast growing cross-border e-commerce in China, we are contemplating developing our self-operating listed flagship stores on leading cross-border e-commerce platforms in collaboration with key strategic partners, with the objective of fully exploiting the demand for proprietary medicines and branded quality healthcare products among Chinese consumers, especially in Southern China and the newly forming Greater Bay Area that represents strong and growing consumption power.

R&D PIPELINE ON TRACK

We continued to make good progress with our product pipeline during the Reporting Period. A total of 6 products, including three strengths of Atomoxetine Capsules, Metronidazole Gel and two strengths of Haloperidol Tablets were successfully registered in the Reporting Period which are ready for launch and supply in Hong Kong. Six other new products including Halometasone Cream, Haloperodol Oral Drops, Rifampicin Oral Suspension and three strengths of Gabapentin Caps have completed the development process and have been submitted to Department of Health for approval. Within the Reporting Period, 6 new items have been added to the pipeline. As of 31 March 2020, there are 113 products in our pipeline, 50 items have been approved for registration, 8 of them have been submitted for registration, 41 items have finished the development stage and are under stability preparation or stability study, and 22 items are currently under formulation research and development.

COLLABORATIVE PROJECTS FOR INNOVATIVE TECHNOLOGIES IN PROGRESS

Technology Transfer and Commercialisation of an Innovative Non-invasive Technology in Prostate Cancer Screening

This innovative non-invasive technology in prostate cancer screening provides a fast and convenient option to verify the results of the 'gold standard' test on prostate cancer screening, i.e. blood prostate-specific antigen (PSA) level, with the benefits of better patient experiences and minimisation of the high rate of false positive PSA results, and the resulting unnecessary prostate biopsy procedures. This technology garnered a Gold Medal in the 47th International Exhibition of Inventions of Geneva 2019.

The task plan of this project has been carried out according to the designated time frame. Multi-center clinical trials in Japan, Korea, the United Kingdom, France, China and Hong Kong are being undertaken at different stages, with a substantial amount of test samples being progressively received from the trial centers for the laboratory test method and home-based test kit application studies. The manufacturing facilities for the newly designed home-based diagnostic kit have been established for accreditation.

Newly Formed Collaboration Project with Hong Kong Institute of Biotechnology (HKIB)

Funded by the Innovation and Technology Fund (ITF) by the government, this new collaborative project with HKIB aims to study whether the use of the Confocal Raman Microscope on specified manufacturing processes will provide the capability to precisely control and manage the manufacturing process to ensure that the complicated formulation, ingredient distribution, and specified in-vivo efficacy can be achieved.

Kickstarted in the first quarter of 2019, this two-year project has now completed the installation and qualification stage of the advanced and sophisticated Raman Microscope in the laboratory setting.

A database containing more than 40 commonly used active pharmaceutical ingredients and more than 80 excipients has been established to facilitate quick screening of constituents in samples. Additionally, a method for analysing the enteric coating of products has been developed which can quickly and effectively analyse the coating composition and film thickness in samples. A method for analysing the composition of solid preparations and the particle size of each component has also been established to enable specific analysis for all solid preparations to be performed, thereby improving the speed and rate of success in new product developments.

Collaboration Project on Anti-cancer Drugs Production Industrialisation

Kickstarted in the first quarter of 2020, this project is being developed in collaboration with a Beijing pharma company to industrialise the production of anti-cancer drugs with indications covering non-small cell lung cancer (NSCLC) and chronic myeloid leukemia (CML). The project combines the technological capabilities of advanced raw material drug synthesis and prescription process research with the Group's expertise in formulation technology for industrialising the production of products from scientific research.

ENHANCED CAPACITY AND EFFICIENCY IN PRODUCTION

All of the Group's manufacturing units operated meritoriously during the Reporting Period with the manufacturing output of solid products at 3,136 million tablets and capsules, 333 tonnes of cream, and 2,680 thousand liters of liquid. This corresponds to an output increase of 6.7%, 4.5%, and 8.8%, respectively over the same period last year.

We continued to carry out our production through 11 manufacturing sites in Hong Kong and 1 manufacturing site in Mainland China. The overall manufacturing capacity and efficiency of the Group has been further enhanced by the on-going integration and streamlining program along with effective raw material procurement and production management.

The buffer stock situation has been significantly improved by new installations of high-speed equipment in the Group's PIC/S GMP accredited manufacturing plants which saw a healthy growth of 27.5% and 18.5% in solid dosage and liquid dosage output year-to-date respectively.

One of the Group's PIC/S GMP accredited manufacturing subsidiaries, Jean-Marie Pharmacal Co. Ltd., has been spearheading the formulation refinement and production of Weisen-U (胃仙– U), a well-recognised gastrointestinal drug with its unique dual layer formulation that demands specialised production know-how and capability.

We are committed to continuously evaluating ways by which we can optimise our manufacturing system and increase operational efficiency. The effective integration of our new plants and acquired business units for enhanced production capability and capacity has further strengthened the Group's position as a leading generics manufacturer in Hong Kong to cater to business growth and increased market demand.

OTHER STRATEGIC INVESTMENT

The Group has forged a commercial entry into the biosimilar sector in a strategic collaboration with Shanghai Henlius Biotech, Inc. ("Henlius"). Henlius holds a leading position in the research and development of biosimilar products and was successfully listed on the Main Board of the Stock Exchange on 25 September 2019 (Stock code: 2696). The Group made an investment of USD15.0 million on Henlius in December 2017 and the carrying value of it has increased to HK$164.3 million as of 31 March 2020. Under the collaboration, the Group has an exclusive right to sell and to offer for sale in the markets of Hong Kong, Macau and Cambodia for one of Henlius' products – namely Trastuzumab – which is for use in metastatic breast cancer.

ACQUISITIONS, DISPOSAL AND REDEMPTION OF CONVERTIBLE NOTES

Further Acquisition of 43% Equity Interest in Orizen Capital Limited

On 6 August 2019, the Group acquired a further 43% equity interest of Orizen Capital Limited ("Orizen") at a total consideration of HK$113.4 million, subsequent to the acquisition of a 45% equity interest in Orizen on 11 July 2018. This acquisition represents a compelling opportunity to accelerate the Group's strategy of enhancing the portfolio of its proprietary Chinese medicine business and lays the foundation on which to create a leading branded Chinese medicine business which will be well-positioned to deliver strong sales, cash-flow, and sustainable earnings growth for the Group. We expect that synergies will arise from the complementary basis of the acquired business to fuel the growth of the Group.

Acquisition of 50% Equity Interest in a Pharmaceutical Manufacturing Company

On 9 October 2019, a joint venture company with 50% interest held by the Group acquired 100% equity interest in a pharmaceutical manufacturing company at a consideration of HK$178.0 million. The target company and its subsidiary became a joint venture of the Group after the acquisition. The target company and its subsidiary own a PIC/S accredited production facility for both generic drugs and proprietary Chinese medicines as well as relevant product licenses in Hong Kong, amongst which is a unique oral form of Arsenic Trioxide indicated for Relapsed Acute Leukemia. This joint venture will help reinforce the Group's presence in the oncology sector and raise the Group's market share in the generic drugs and proprietary medicines business segments.

Partial Disposal of 49% Equity Interest in Hong Ning Hong Limited

As of 31 March 2020, the Group held a 70% effective interest in Hong Ning Hong Limited ("Hong Ning Hong"), which was principally engaged in the retail and wholesale of pharmaceutical products and proprietary medicines via its retail outlets. During the Reporting Period, the Group committed to disposing of a 49% equity interest in Hong Ning Hong Limited and commenced negotiation with Million Effort Investment Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Tycoon Group Holdings Limited ("Tycoon"). The disposal completed on 15 June 2020 at a total consideration of HK$41,650,000 and the Group continues to hold a 21% equity interest in Hong Ning Hong after the disposal. Through this strategic collaboration, the Group and Hong Ning Hong can leverage the market experience, expertise and network of Tycoon in the operation of its wholesale and retail business – particularly Tycoon's retail experience in both offline direct sales through its retail stores in Macau and online sales through its cross-border e-commerce platform. The disposal also allows the Group to reallocate more of its resources to the continued development of its generic drugs and branded healthcare businesses.

Full Redemption of HK$500 million Convertible Notes

The convertible notes in an aggregate principal amount of HK$500 million which carried a coupon interest rate of 3.5% p.a. were issued by the Company on 3 October 2017 and were supposed to be due in October 2020 (the "Convertible Notes").

The Company has redeemed the Convertible Notes early and in full during the Reporting Period via bank facilities at a lower interest rate and there were no outstanding Convertible Notes as at 31 March 2020. The early redemption of the Convertible Notes allowed the Group to save on interest expenses as well as amortisation costs arising from the Convertible Notes.

REMUNERATION POLICY

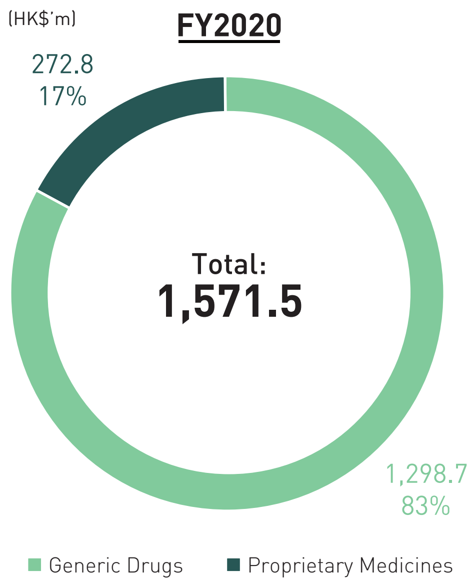
As of 31 March 2020, the Group has a total of 1,944 employees (compared to 1,822 employees as of 31 March 2019). For the Reporting Period, the total staff costs of the Group were HK$458.7 million, compared to HK$423.0 million for the year ended 31 March 2019, due to growth and expansion under the strategic business development of the Group. All the Group's employees have entered into standard employment contracts with the Group. Remuneration packages for the Group's employees in general comprise of one or more of the following elements: basic salary, sales related incentives, productivity-related incentives and work performance bonuses. The Group sets out performance attributes for its employees based on their positions and job functions. It periodically reviews their work performance against the Group's strategic objectives and targets. The results of such reviews are taken into consideration when assessing salary adjustments, bonus awards, promotions, staff development plans and training needs. The Group provides various benefit schemes to its employees including annual leave entitlement, mandatory provident fund, group medical insurance and life insurance. A workers union has been established for the Group's employees in China according to local labour laws. As of 31 March 2020, the Group has not experienced any strikes or any other labour disputes with its employees which would likely have had a material impact on its business.

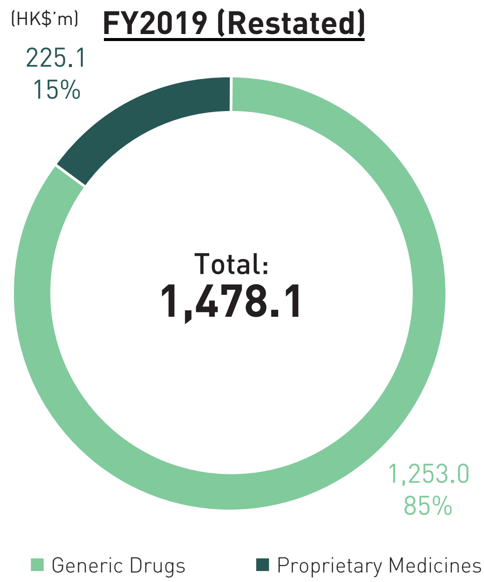
The Group places a high value on recruiting, developing and retaining its employees. It maintains high recruitment standards and provides competitive compensation and benefit packages to attract and retain talents. The Group also emphasises training and developing employees. In addition to different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

FINANCIAL REVIEW

REVENUE

Revenue from Continuing Operations by Operating Segments



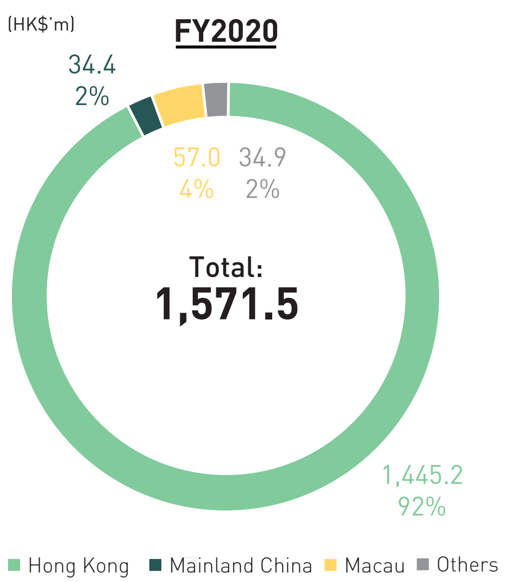


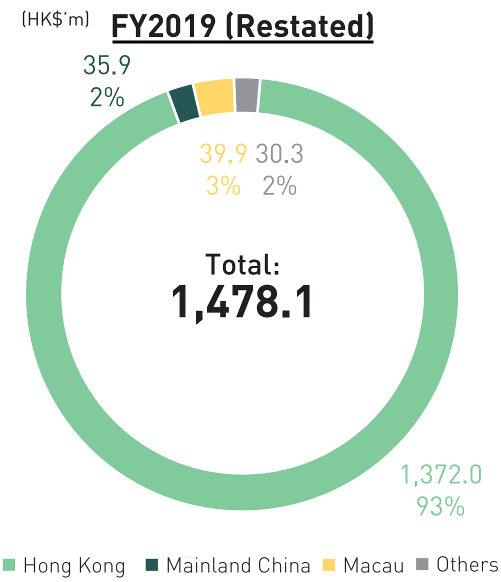
The increase in revenue of HK$93.4 million or 6.3% compared to FY2019 was contributed by the increase in revenue of HK$45.7 million in generic drugs segment and HK$47.7 million in proprietary medicines segment. Revenue split of the two segments are at the ratio of 83% and 17%.

In the generic drugs segment, the increase in revenue reflected mainly the business growth of products in certain therapeutic classes augmented with revenue from disinfectant products. The growth was mainly attributable to expanded product offerings of the Group's broad and targeted portfolio, along with the exacerbating healthcare demands resulted from aging population, prevalence in chronic diseases and the coronavirus pandemic.

In the proprietary medicines segment, the increase in revenue mainly came from the incremental contribution of the newly acquired subsidiaries engaged in the proprietary Chinese medicine business, coupled with a promising performance for Group's proprietary medicine brands such as Ho Chai Kung brand products and Shiling Oil.

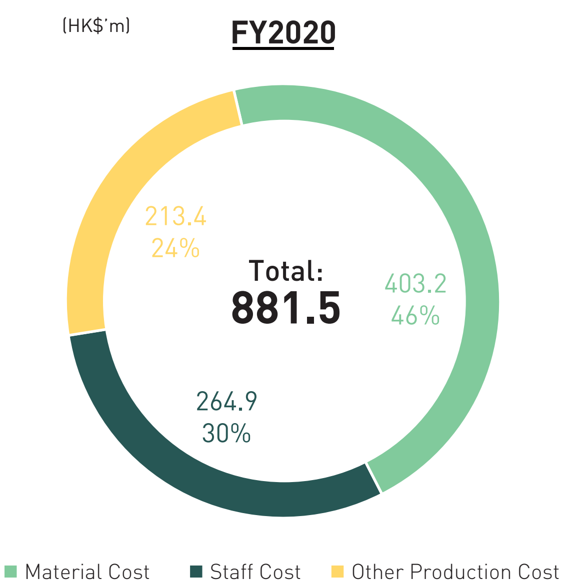
Revenue from Continuing Operations by Geographic Location

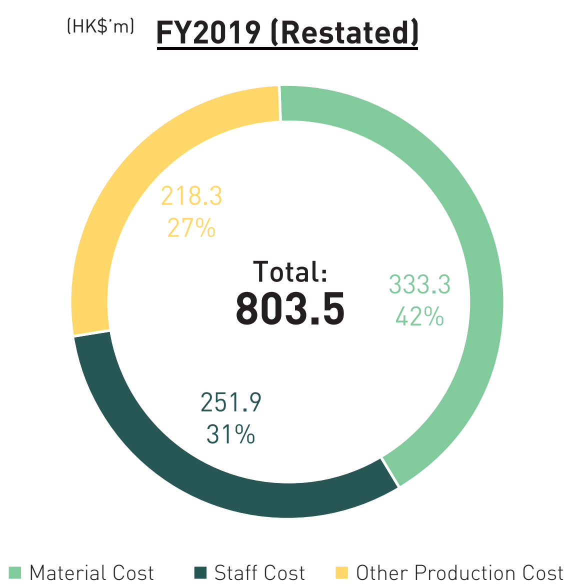




Hong Kong continued to be the major revenue stream, representing 92% of the total revenue and contributed an increase in revenue of HK$73.2 million. The revenue in the Mainland China slightly decreased by HK$1.5 million, mainly due to change in distributors for Po Chai Pills and Flying Eagle Woodlok Oil with effect from early 2020 and therefore supply and sales to the prior distributors were stopped during the Reporting Period. The revenue increase in Macau by HK$17.1 million was mainly contributed by Po Chai Pills and certain in-licensed products. The increase in revenue from other overseas market of HK$4.6 million was mainly due to increase in sales in other Asian markets such as Taiwan, Singapore and Philippines.

COST OF SALES





Material cost continued to be the major component constituting approximately 46% of the total cost of sales. The increase in cost of sales of HK$69.9 million or 21.0% is mainly due to the increase in revenue split from in-licensed products and contract-manufacturing products, which had a higher material cost than the self-manufactured products.

The increase in staff cost of HK$13.0 million or 5.2% primarily reflected the increase in number of headcount as a result of the Group's business expansion as well as salary increment.

The decrease in other production cost reflected the continuous decrease in production overheads as a consequence of the implementation of effective optimisation program and cost control measures during the Reporting Period.

PROFIT FROM OPERATIONS

The profit from operations dropped by HK$52.4 million or 14.1% to HK$318.2 million, mainly due to the decrease in fair value gain on investment properties of HK$22.2 million, the gain on disposals of properties recognised in the previous year of HK$6.4 million, the one-off spin-off listing expenses of HK$6.9 million, and the increase in investments and operating expenses for building the regional management structure and market platform in the Asia Pacific and Greater China regions.

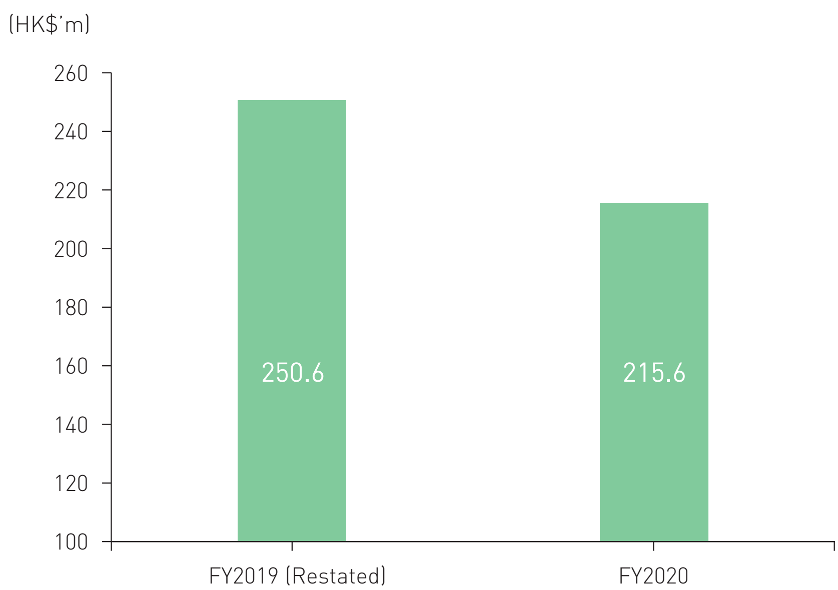
FINANCE COSTS

The decrease in finance costs was mainly attributable to reduction of amortisation costs resulted from early redemption of the Convertible Notes during the Reporting Period, which was partially offset by higher bank loan interest and additional finance costs reported as a result of the adoption HKFRS 16 during the Reporting Period.

INCOME TAX

The decrease in income tax principally reflected the lower profit before taxation generated. The slight decrease in effective tax rate was due to the decrease in the non-tax deductible finance costs arising from the Convertible Notes which were redeemed during the Reporting Period.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS



The decrease in profit attributable to shareholders reflected the decrease in profit from operations compensated partially by the reduction in finance costs and income tax.

ASSETS

Investment properties and other property, plant and equipment

The increase in investment properties and other property, plant and equipment principally reflected the additions of HK$106.3 million, the impact of the adoption of HKFRS 16 amounting to HK$77.8 million and the fair value adjustment in investment properties of HK$1.2 million offset partially by the depreciation of HK$144.7 million.

Intangible assets

The increase in intangible assets principally reflected the additions of HK$283.2 million mainly arising from the acquisition of subsidiaries engaged in proprietary Chinese medicine business, along with the capitalisation of development costs of HK$16.0 million, which were offset partially by amortisation of HK$26.0 million.

Inventories

The increase in inventories mainly resulted from the overall sales growth and acquisition of subsidiaries engaged in the proprietary Chinese medicine business.

Cash and cash equivalents

As at 31 March 2020, approximately 88.4% of cash and cash equivalents were denominated in Hong Kong dollars (as at 31 March 2019: 95.6%), while the remaining balances were mainly denominated in USD, Renminbi, Singapore dollars and Taiwan dollars.

LIABILITIES

Bank loans

The increase in bank loans from HK$829.6 million as at 31 March 2019 to HK$1,553.6 million as at 31 March 2020 represented additions of bank loans which included HK$500 million for refinancing early redemption of the Convertible Notes during the Reporting Period.

As at 31 March 2020, all bank loans of the Group were denominated in Hong Kong dollars.

USE OF PROCEEDS

IPO PROCEEDS

Net proceeds of HK$695,540,000 were raised from the initial public offering of the Company (included proceeds from the over-allotment option exercised by the underwriter amounted to HK$98,438,000 and after the deduction of underwriting fees, commissions and expenses paid by 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 2020:

	Proposed application HK$'000	**Actual usage up to 31 March 2020** HK$'000
Acquisitions – Expansion of businesses in Generic Drugs and Proprietary Medicines	139,108	139,108
Acquisitions – Enhancement of distribution network	104,331	90,288
Acquisitions – Intangible assets	69,554	69,554
Capital investments – Upgrading of manufacturing plants and facilities	113,197	113,197
Capital investments – Two specific automated production facilities	12,000	12,000
Expansion of bioequivalence clinical studies	94,331	56,510
Establishment of a new joint R&D centre with HKIB	10,000	3,920
Marketing and advertising	83,465	83,465
General working capital	69,554	69,554
	695,540	637,596

The net proceeds of HK$695,540,000 were used, or are proposed to be used, according to the intentions previously disclosed by our Company's Prospectus.

PROCEEDS FROM ISSUANCE OF THE CONVERTIBLE NOTES

Net proceeds of HK$490,352,000 were raised from the issuance of the Convertible Notes (after the deduction of all related fees and expenses paid by us in connection with the Convertible Notes of HK$9,648,000). The following table sets out the proposed application of the net proceeds and the actual usage up to 31 March 2020.

	Proposed application HK$'000	**Actual usage up to 31 March 2020** HK$'000
Funding potential mergers and acquisitions as well as forming strategic alliances in the Asia Pacific region (Note)	411,352	411,352
Supporting in-licensing and direct investment on technologically-oriented bio-pharmaceutical projects	79,000	79,000
	490,352	490,352

Note: The potential mergers and acquisitions are in relation to proprietary medicines business, pharmaceutical projects as well as forming strategic alliances in the Asia Pacific region.

The net proceeds of HK$490,352,000 were used according to the intentions previously disclosed by our Company's announcements dated 6 September 2017 and 3 October 2017.

PROCEEDS FROM ISSUANCE OF NEW SHARES

Net proceeds of HK$411,658,000 were raised from the issuance of shares to Yunnan Baiyao (after the deduction of all related fees and expenses payable in connection with the issuance of shares of HK$342,000). The following table sets out the proposed application of the net proceeds and the actual usage up to 31 March 2020:

	Proposed application HK$'000	**Actual usage up to 31 March 2020** HK$'000
Mergers and acquisitions, strategic alliances and in-licensing of products	205,829	127,251
Acquisition, expansion and upgrading of operating facilities	164,663	164,663
General working capital	41,166	41,166
	411,658	333,080

The net proceeds of HK$411,658,000 were used, or are proposed to be used, according to the intentions previously disclosed by our Company's announcements dated 14 August 2018 and 3 September 2018.

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 sound foundation for the Group's future development.

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

CHARGE ON GROUP ASSETS

The carrying value of assets pledged against bank loans decreased from HK$871.6 million as at 31 March 2019 to HK$751.4 million as at 31 March 2020, which was mainly because a bank loan pledged with HK$100 million trade receivables was fully repaid during the Reporting Period.

NET GEARING RATIO

The net gearing ratio of the Group (bank loans and the Convertible Notes less cash and cash equivalents, divided by total equity multiplied by 100%) increased from 24.8% as of 31 March 2019 to 43.6% as of 31 March 2020. The increase in net gearing ratio was attributable to the cash used in mergers and acquisitions and the additions of bank loans during the Reporting Period.

FINANCIAL RISK ANALYSIS

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

CONTINGENT LIABILITIES

As at 31 March 2020, the Group did not have any significant contingent liabilities.

NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The Group entered into a cornerstone investment agreement with Tycoon on 19 March 2020 to subscribe for Tycoon's shares in the amount of HK$80.0 million at an offer price of HK$1.49 per share and Tycoon's shares were listed on the Main Board of the Stock Exchange on 15 April 2020 (Stock code: 3390). Tycoon is a provider of a variety of proprietary Chinese medicine, health supplement, skin care, personal care and other healthcare products, predominantly selling and distributing such products in Hong Kong. In addition, Tycoon has been actively engaging in offline direct sales through its retail stores in Macau and online sales through its cross-border e-commerce platform.

On 8 April 2020, the Group completed the acquisition of 100% equity interest in LKC Holdings Limited at a cash consideration of HK$99,150,000 to acquire certain units and car parks in an industrial building in Hong Kong, which are now being occupied by a pharmaceutical manufacturing company of the Group.

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 to the Listing Rules as its own code of corporate governance.

For the year ended 31 March 2020, 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 Reporting Period.

The Company has also established written guidelines, the Code for Securities Transactions by Employees (the "Employees Code"), with terms 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 Reporting Period.

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

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
Mr. Young Chun Man, Kenneth
Professor Wong Chi Kei, Ian

Board of Directors (Continued)

BOARD COMPOSITION (Continued)

Save for the fact that Mr. Yim Chun Leung (an executive Director) is the brother-in-law of Professor Lam Sing Kwong, Simon (the non-executive Director), there is no relationship (including financial, business, family or other material/relevant relationships) among the members of the Board.

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

The Board will continue to review and consider splitting the roles of chairman of 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 Reporting Period, 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.

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 and all Directors appointed as an addition to the Board shall be subject to election by shareholders at the first annual general meeting of the Company 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, Mr. Sum Kwong Yip, Derek, Mr. Yim Chun Leung and Ms. Pun Yue Wai will retire and being eligible, have offered themselves to be re-elected and re-appointed at the annual general meeting of the Company.

Board of Directors (Continued)

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 formulation 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 has 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 Directors have attended seminars organised by external professional parties on different topics, including review of environmental, social and governance practices of the Group and economics substance requirements. The Directors also enhanced their knowledge relating to the Listing Rules from the director training webcast launched by the Stock Exchange and studied the relevant reading materials such as legal and regulatory update and seminar handouts provided by the Company.

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.

During the Reporting Period, all Directors pursued continuous professional development and relevant details are set out below:

Directors	Types of Training
Executive Directors	
Mr. SUM Kwong Yip, Derek	A, B
Mr. YIM Chun Leung	A, B
Ms. PUN Yue Wai	B
Non-executive Director	
Professor LAM Sing Kwong, Simon	B
Independent Non-executive Directors	
Dr. LAM Kwing Tong, Alan	B
Mr. YOUNG Chun Man, Kenneth	A, B
Professor WONG Chi Kei, Ian	A, B

Remarks:
A – Attending seminars/conferences/forums
B – Reading journals/updates/articles/materials

Board Committees

The Board has established committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee and Executive 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, and are available to shareholders upon request.

AUDIT COMMITTEE

The Audit Committee currently consists of all three independent non-executive Directors, namely Mr. Young Chun Man, Kenneth (Chairman of the Audit Committee), Dr. Lam Kwing Tong, Alan and Professor Wong Chi Kei, Ian.

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

The primary duties of the Audit Committee include reviewing and supervising the Group's financial reporting process, internal control and risk management systems, preparing financial statements and internal control procedures. It also acts as an important link between the Board and the external auditor in matters within the scope of the Group audit. The Audit Committee, together with the management of the Company, has reviewed the annual results of the Group for the Reporting Period.

The Audit Committee meets at least twice a year in accordance with its terms of reference. Two Audit Committee meetings were held during the Reporting Period and the attendance of each member is set out in the section headed "Board Meetings" of this report.

During the Reporting Period, the Audit Committee performed its work as summarised below:

(i) reviewed and recommended for the Board's approval of the financial reports for the year ended 31 March 2019 and the interim period ended 30 September 2019;

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

(iii) reviewed the external auditor's independence and objectivity and recommended for the Board's approval on the re-appointment of the auditor;

(iv) reviewed and recommended for the Board's approval of the risk management report discussing the matters, including the major internal audit issues, the financial reporting systems, effectiveness of the internal audit function, risk management and the internal control systems of the Group;

(v) reviewed, evaluated and assessed of the effectiveness of the Audit Committee and the adequacy of its terms of reference;

(vi) reviewed the compliance with the Deed of Non-competition by the Covenantors (defined in the "Deed of Non-competition" section of the Report of the Directors of this Annual Report);

(vii) reviewed the arrangements for the employees to raise concerns about possible improprieties in financial reporting, internal control or other matters; and

(viii) reviewed and recommended for the Board's approval of a proposal on internal control review for financial years from 2019/2020 to 2021/2022.

During the Reporting Period, 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 (Chairman of the Remuneration Committee), Mr. Young Chun Man, Kenneth, both being independent non-executive Directors, and Ms. Pun Yue Wai, an executive Director.

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, on 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 Reporting Period, the Remuneration Committee met twice at which the committee members reviewed the remuneration of Directors and evaluated and assessed the effectiveness of the Remuneration Committee and the adequacy of its terms of reference. The Remuneration Committee also reviewed the remuneration packages of individual non-executive Directors and senior management, the Company's policy and structure for the remuneration of all directors and senior management. In addition, the Remuneration Committee reviewed the renewed service agreements and letters of appointment for the Directors and made recommendation to the Board to approve the same.

Details of the remuneration of the senior management, who are the Directors, are set out in note 6 to the consolidated financial statements. The emoluments of the Directors by band for the year ended 31 March 2020 is set out below:

In the band of	Number of individuals
Nil to HK$1,000,000	4
HK$1,000,001 to HK$2,000,000	1
HK$2,000,001 to HK$3,000,000	0
HK$3,000,001 to HK$4,000,000	1
HK$4,000,001 to HK$5,000,000	1

NOMINATION COMMITTEE

The Nomination Committee currently consists of four members, namely Professor Wong Chi Kei, Ian (Chairman of the Nomination Committee), Dr. Lam Kwing Tong, Alan, Mr. Young Chun Man, Kenneth, all being independent non-executive Directors, and Mr. Yim Chun Leung, an executive Director.

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 (the "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 refer to the policy adopted by the Company for selection of directors (the "Director Nomination Policy") and consider candidates against objective criteria, such as candidate's character, integrity, 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 Reporting Period, the Nomination Committee met once at which the committee members reviewed the structure, size and composition of the Board, the independence of the independent non-executive Directors, the Board Diversity Policy and the Director Nomination Policy. In addition, the Nomination Committee also evaluated and assessed the effectiveness of the Nomination Committee and the adequacy of its terms of reference.

Board Committees (Continued)

EXECUTIVE COMMITTEE

The Executive Committee currently consists of all the executive Directors, namely Mr. Sum Kwong Yip, Derek (Chairman of the Executive Committee), Mr. Yim Chun Leung and Ms. Pun Yue Wai.

The primary duty of the Executive Committee is to assist the Board of the Company in facilitating more efficient day-to-day operations and business of the Group and to handle such matters as delegated by the Board from time to time.

During the Reporting Period, the Executive Committee met eight times at which the committee members reviewed the matters, among others, the latest status and development of the potential spin-off listing of the Company's branded healthcare business on the main board of the Stock Exchange and the business projects of the Group.

Board Diversity Policy

The Board Diversity Policy was adopted by the Company on 30 August 2016 and revised on 21 November 2018. The Company is committed to equality of opportunity in all aspects of its business and does not discriminate on the grounds of race, gender, independence, 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 perspectives 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 Board Diversity Policy on a regular basis to ensure its continued effectiveness and disclose any measurable objectives it has set in this regard, if any.

During the Reporting Period, the Board reviewed and confirmed the effectiveness of the Board Diversity Policy.

Director Nomination Policy

The Director Nomination Policy was adopted by the Company pursuant to the Board resolutions passed on 21 November 2018.

A summary of the Director Nomination Policy is set out below.

CRITERIA ADOPTED FOR SELECTION AND RECOMMENDATION FOR DIRECTORSHIP

In evaluating and selecting any candidate for directorship, the following criteria should be considered:

- Character and integrity.
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy.
- Any measurable objectives adopted for achieving diversity on the Board.
- Requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.

Director Nomination Policy (Continued)

CRITERIA ADOPTED FOR SELECTION AND RECOMMENDATION FOR DIRECTORSHIP (Continued)

- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity.

- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.

- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

NOMINATION PROCESS

(a) Appointment of New Director

(i) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(ii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(iii) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(iv) For any person that is nominated by a shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of director at the general meeting.

(b) Re-election of Director at General Meeting

(i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and his/her level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above.

(iii) The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of Director at the general meeting.

Where the board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

As delegated by the Board, the Nomination Committee will, in addition to conducting regular review on the structure, size and composition of the Board, conduct regular review on the Director Nomination Policy and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and business needs.

Dividend Policy

Apart from compliance with the applicable legal requirements, a dividend policy (the "Dividend Policy") was adopted by the Company pursuant to the Board resolutions passed on 21 November 2018, which sets out the guidelines for the Board to determine whether to pay a dividend and the level of such dividend to be paid. In general, it is the policy of the Company to share with its shareholders in the Company's profits with reasonably stable and consistent dividends whilst retaining adequate reserves and financial resources for future growth drivers such as mergers and acquisitions activities. Normally, the Company pays dividends twice a year, which are the interim and final dividends. The policy also contains a number of factors for which the Board has to consider in determining the frequency, amount and form of any dividend in any financial year/period.

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 reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, 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 during the Reporting Period.

Board Meetings

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board meetings, Board Committee meetings and annual general meeting of the Company held during the Reporting Period is set out in the table below:

	Attendance/Number of Meetings					
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Executive Committee**	**Annual General Meeting (Note)**
Mr. Sum Kwong Yip, Derek *(Chairman)*	9/9	N/A	N/A	N/A	8/8	1/1
Mr. Yim Chun Leung	9/9	N/A	N/A	1/1	8/8	1/1
Ms. Pun Yue Wai	9/9	N/A	2/2	N/A	8/8	1/1
Professor Lam Sing Kwong, Simon	9/9	N/A	N/A	N/A	N/A	1/1
Dr. Lam Kwing Tong, Alan	9/9	2/2	2/2	1/1	N/A	1/1
Mr. Young Chun Man, Kenneth	9/9	2/2	2/2	1/1	N/A	1/1
Professor Wong Chi Kei, Ian	9/9	2/2	N/A	1/1	N/A	1/1

Note: The 2019 annual general meeting of the Company was held on 28 August 2019.

Apart from Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of other Directors during the Reporting Period.

Accountability and Audit

FINANCIAL REPORTING

The Directors acknowledged 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 2020, 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 71 to 75 of this Annual Report.

Accountability and Audit (Continued)

RISK MANAGEMENT AND INTERNAL CONTROL

During the Reporting Period, the Group has engaged external consultants to review the risk management framework including the risk management policy (the "Risk Management Policy"). 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.

The Board acknowledged its responsibility for the risk management and internal control systems and reviewed their effectiveness.

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 (which was outsourced to external consultants) 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

During the Reporting Period, 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; and 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 2020 and considered them to be effective and adequate. The management has provided a confirmation to the Audit Committee (and the Board) on the effectiveness of these systems for the Reporting Period.

Accountability and Audit (Continued)

INTERNAL AUDIT

The Company's external consultants prepare the Internal Audit 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 Internal Audit 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 internal control issues raised in the Internal Audit 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 2020 were HK$5,480,000 (2019: HK$5,485,000) and HK$3,816,000 (2019: HK$2,756,000) respectively.

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 shareholders' 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 duly registered shareholder(s) of the Company 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 detailed procedures, please refer to the section "Corporate Governance" under "Investor Relations" on the Company's website (www.jacobsonpharma.com/download/Procedures_e.pdf).

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 names, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed to the extent 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, the 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.

During the Reporting Period, 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).

Company Secretary

The Company Secretary is an employee of the Group and reports directly to the Chairman and Chief Executive Officer. The Board approves the selection, appointment or dismissal of the Company Secretary. All Directors have access to the advice and services of the Company Secretary. During the Reporting Period, the Company Secretary undertook the requisite professional training.

Environmental, Social and Governance Report

1 About this report

1.1 REPORTING STANDARD AND PERIOD

This environmental, social and governance report (the "ESG Report") is prepared by Jacobson Pharma Corporation Limited ("Jacobson" or "the Group") in compliance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 27 to the Listing Rules, which describes the environmental, social and governance ("ESG") developments of Jacobson for the year ended 31 March 2020 (the "Reporting Period"). An index that cross-reference the disclosures set out in the ESG Reporting Guide and the relevant information contained in the ESG Report is provided in Appendix A.

The ESG Report is to be read in conjunction with the Group's 2020 Annual Report http://www.jacobsonpharma.com/html/inverstor-relations.php#financial-reports, and in particular the Corporate Governance Report contained therein.

1.2 BACKGROUND OF JACOBSON

Jacobson is a leading pharmaceutical company in Hong Kong vertically integrated in the research, development, production, sale and distribution of generic drugs and proprietary medicines with a multidisciplinary team of over 1,900 employees. As a major provider of generic drugs in Hong Kong, the Group has one of the most extensive sales and distribution coverage for both the private and public market sectors in Hong Kong, with an expanding reach into strategically selected markets in Asia.

Its mission is to improve people's health through technological advancement and community care. Through its commitments to innovation and dedication to serving the community in which they operate, Jacobson will strive to create sustainable values in generic drugs, offering quality and affordable generic medicines to answer the unmet medical needs.

Besides carrying a broad product portfolio in a variety of therapeutic classes, Jacobson also owns a host of proprietary medicine brands with strong heritage which include household names such as Po Chai Pills, Ho Chai Kung, Saplingtan/Shiling Oil, Flying Eagle Woodlok Oil and Tong Tai Chung Woodlok Oil.

The principle operation location of the Group is in Hong Kong, while the distribution of the Group's products covers countries or other regions such as Mainland China, Macau, Singapore, Malaysia, United States and Canada.

1.3 REPORTING SCOPE

This report covers operations and geographical areas as listed below:

Operational boundary:

– Production, distribution, retail and product development of generic drugs and proprietary medicines.

Geographical boundary:

– All 12 production facilities in Hong Kong and Mainland China, including 9 licensed production facilities for generic drugs in Hong Kong and 1 in Zhongshan, Mainland China, as well as 2 GMP-accredited production facilities for proprietary Chinese medicines located in Hong Kong; and

– Our offices and retail shops in Hong Kong.

1.4 ENDORSEMENT AND APPROVAL

The ESG Report was approved by the Board on 30 June 2020.

1.5 FEEDBACK TO THE ESG REPORT

Please share your comments and suggestions on the ESG Report. You may submit your feedback online: 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.

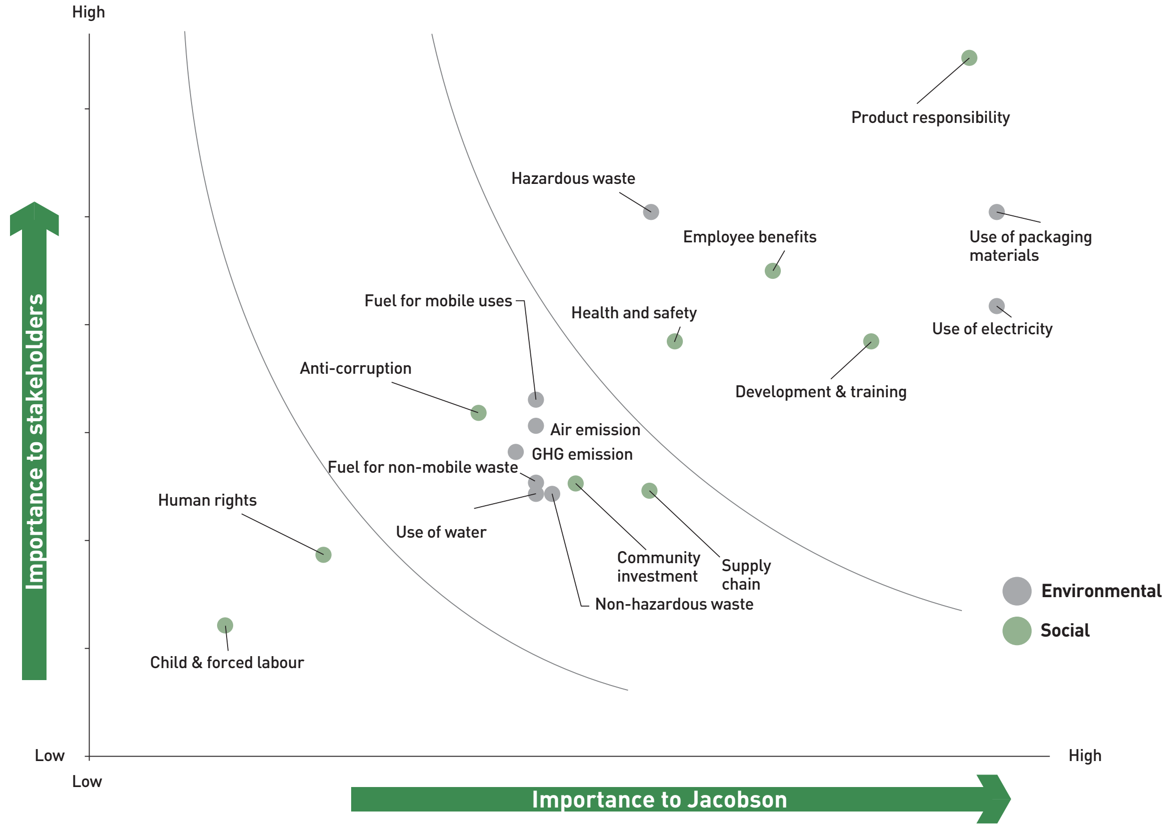
2 Our approach to ESG

The Board recognises the importance of ESG while enhancing the economic value of the business. The Board, working together with the management, has taken on the overall responsibility of assessing and identifying risks associated with ESG, and in response formulate appropriate ESG strategy in order to effectively manage these risks. The Group drives its ESG strategy using a top-down approach, by promoting awareness of an environmentally and socially sustainable culture among all our stakeholders, including our employees, suppliers and customers. This culture helps to assimilate ESG into daily practices which in turn drives the long-term sustainable growth of Jacobson through the implementation of appropriate policies and procedures, together with the monthly monitoring, reporting and analysis of ESG data, and the annual reporting of these analysis through this ESG report to its stakeholders.

2.1 STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

In order to formulate the Group's ESG risk-based strategy, it is essential to identify the materiality of ESG aspects (i.e. what really matters to stakeholders). Material ESG aspects were identified through stakeholder engagement, which was conducted through interviews and surveys, primarily engaging the top management representatives from various departments and functions. The Group's stakeholders are industry experts and possess strong pharmaceutical knowledge as well as understanding of the potential risks faced by the industry, such as regulatory requirements, product responsibility and client expectations. Jacobson intends to expand the scope of stakeholder engagement in the future to achieve more comprehensive materiality results. The Group's materiality assessment results are listed below.

Materiality Matrix



One must note that the positioning of the aspects in the matrix suggests only their relative importance. On the basis of the findings of the materiality assessment, the areas identified to be the most significant under the Group's environmental and social aspects 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

Jacobson strives to ensure environmental protection and comply with all applicable environmental laws and regulations in the locations where it operates. Thus, the Group is committed to reducing the environmental impacts through proper management and minimising its environmental emissions and resource consumptions, by adopting environmentally friendly measures in its business operations where practicable. In addition, the Group continues to provide training to staff to enhance their awareness about environmental protection.

In accordance with the materiality results, Jacobson's material environmental issues have been mapped with its operations and summarised as follows:

Material environment issues	Relevance
Use of packaging materials	Material impact on product quality and use of resources
Use of electricity	Energy consumption in manufacturing plants, warehouses and office area
Hazardous waste	Waste chemicals generated from drug production

3.2 USE OF RESOURCES

3.2.1 Use of packaging materials

A major concern for Jacobson is the use of packaging material as it directly impacts the product quality. The main packaging materials used by the Group are colour boxes, inserts, labels and outer cartons.

Jacobson has strict controls on the quality and quantity of packaging materials used. To ensure package quality, the Group mainly uses packaging materials that are produced by GMP-accredited or International Organisation for Standardisation (ISO)-certified manufacturers, which also ensures that it meets local regulatory requirements. The Group also has designated staff in every production facility responsible for overseeing the quality of purchased packaging materials.

The business units are required to monitor their usage of packaging materials and submit reports on a monthly basis. As these packaging materials come in many different types and sizes, it is difficult to estimate the weight of packaging materials used accurately, and hence the consumption are presented below in dollar values representing the cost of purchases of respective packaging materials. As shown in the table below, with the exception of colour boxes most of the packaging materials have increased in cost during the Reporting Period due mainly to increase in production and sales of generic drugs other than proprietary medicine compared to the previous reporting period which had led to more consumables being used.

Cost of packaging material purchased	Unit	FY2020	FY2019	%Change
Outer carton	HKD	3,957,281	2,979,619	33%
Colour box	HKD	20,788,593	21,500,144	–3%
Insert	HKD	2,349,053	2,085,637	13%
Label	HKD	5,517,321	4,226,328	31%

3.2.2 Use of energy

The two major energy sources Jacobson relies on upon for drug production are electricity and town gas. The Group's clean rooms are under stringent and continual temperature and humidity controls, which are the most energy-intensive aspect among its facilities.

Jacobson has adopted various strategies in energy conservation. For example, in some of the manufacturing sites, we adjust the temperature set points and damper controls on the air-side systems, install numerous monitoring devices to keep track of electricity consumption, and collect data on different ESG aspects for analysis; in office, we procure to buy office appliances with the 'Energy Label' endorsed by the Electrical and Mechanical Services Department. In addition, Jacobson is retrofitting its existing buildings with lighting that are more energy-efficient. As of March 2020, we have replaced 18,000 LEDs representing over half of our facilities with LEDs lightings. According to a testing report conducted by a third-party, the average saving of each of these LED tubes is more than 40% compared to existing traditional fluorescent tubes.

3 Environment (Continued)

3.2 USE OF RESOURCES (Continued)

3.2.2 Use of energy (Continued)

During the Reporting Period, two of the manufacturing sites have joined the energy audit scheme by China Light and Power (CLP) where energy saving recommendations are to be given based on their assessment of the energy system. Jacobson will also join the Peak Demand Management Programme by CLP to shift the use of some equipment to outside peak demand hours, helping CLP to generate power more efficiently while lowering electricity cost. Meanwhile, there is also plan to replace old chillers with ones that deliver improved part-load and higher full-load efficiency at two of our manufacturing sites.

Other use of energy at Jacobson includes fuel used in the diesel vehicles of Jacobson's in-house logistic arms that primarily distributes its products to hospitals, clinics, retail outlets and trading companies within Hong Kong. It utilises vehicles that are mostly EURO V diesel trucks, compared to other trucks these trucks help to enhance the efficiency of fuel consumption and also reduce greenhouse gas emissions. In addition, the Group also implements good routing practices by identifying the most efficient routes for delivery to minimise fuel consumption and delivery time.

In addition to electricity and town gas which have been reported in previous years, during the Reporting Period Jacobson has improved its ESG data collection system to include the fuel consumption of its fleet of vehicles. As mentioned in the previous section, there was an increase in production and sales of general drugs other than proprietary medicine during the Reporting Period as compared to previous reporting period and hence there was increased energy use. The use of different types of energy is shown in the table below:

Use of energy[1]	Unit	FY2020	FY2019	% Change
Use of electricity	kWh	32,545,403	29,641,085	+10%
Intensity of electricity use	kWh/HKD	0.021	0.020	+5%
Use of town gas	kWh	161,576,186	153,853,391	+5%
Intensity of town gas use	kWh/HKD	0.103	0.104	–1%
Use of fuel (diesel)	Litre	121,030	N/A	N/A
Intensity of fuel (diesel) use	Litre/HKD	<0.001	N/A	N/A

In addition to hardware, the Group believes that human behaviour also plays an important role in improving energy efficiencies. The Group will continue to encourage employees to adopt an environmentally conscious mindset. Across its premises, the Group has placed green tips at prominent locations to remind its staff to turn off lights, air-conditioning and all electrical appliances when not in use and to set room temperature at 25°C.

3.2.3 Others

Use of water

Water is essential in Jacobson's drug production process, and its quality is more critical than quantity. Jacobson has extremely stringent requirements on water quality and purified water coming out from the water purification system is monitored closely to ensure the quality of water is met. Jacobson has not encountered any issue in the sourcing of water that is fit for purpose. The water consumption has decreased by data largely due to the inherent difficulty in collecting accurate usage data for production facilities where there are a waiver of water and sewage charges during the Reporting Period. In spite of these difficulties, Jacobson will explore possible alternative ways to enable accurate collection of such data, while continuing to practice water conservation measures to reduce unnecessary water wastage.

Water consumption[1]	Unit	FY2020	FY2019	% Change
Use of water	m^3	168,971	171,962	–1.7%
Intensity of water use	m^3/HKD	<0.001	<0.001	unchanged

Use of paper

Jacobson utilises a mobile ordering system that provides a more convenient channel for retail pharmacies to place their orders. This system has not only sped up the ordering process by offering convenience and reducing administrative burden, it also helped Jacobson to reduce paper consumption on a large scale. In addition, Jacobson utilises the SAP system that has streamlined the process for approval of payments by doing so electronically, thus has helped to further eliminate the reliance on paper use in the office. As Jacobson continues to roll out the SAP system to more and more business units, the need for use of paper will only become increasingly minimal. While Jacobson will continue to monitor its paper consumption, this aspect remains an immaterial issue to Jacobson, and hence no data was collected and analysed during the Reporting Period.

1 Intensity figures are calculated using the Group's revenue of HKD1,571.5 million in FY2020 and HKD1,478.1 million (restated) in FY2019

3 Environment (Continued)

3.3 EMISSIONS

3.3.1 Waste management

Waste from the production process

Jacobson, being a drug manufacturer, follows a strict waste management process as part of its quality assurance programme, and also as part of the compliance with laws and regulations such as the Hong Kong's Waste Disposal Ordinance (Chapter 354), Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C), Dangerous Goods Ordinance (Cap. 295) and Public Cleansing and Prevention of Nuisances Regulation related to the disposal of hazardous waste. The majority of waste generated were from the production and preparation of pharmaceutical products, as well as waste drugs and a small amount of chemical wastes generated from the quality control testing of pharmaceutical products. These wastes are hazardous to the human health and the environment, the disposal of which are within the strict control of our waste management process as well as by the Environmental Protection Department (EPD). The implementation of our proper handling, storage and recording procedures of hazardous wastes on-site is detailed in the standard operating procedures (SOPs) of our Goods Destruction policy.

To avoid hazard and protect the health and safety of employees, all hazardous waste are required to be disposed of, collected and stored in safe isolated areas where unauthorised persons are prevented from entering, and those handling waste are to be equipped with mask and gloves. The quality assurance department of each business unit is responsible for the handling of the disposal of hazardous wastes of its business unit. When a reasonable amount of waste has accumulated, licensed waste collectors are appointed as appropriate for its collection, treatment and disposal. In addition, for any 'Part A' chemical wastes including waste 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 EPD according to the Waste Disposal Ordinance (Chapter 354) prior to the disposal by the licensed waste collectors.

The waste disposal during the Reporting Period is as shown below:

Waste disposal[2]	Unit	FY2020	FY2019	% Change
Hazardous waste disposed	Kg	149,974	103,284	+45%
Intensity of hazardous waste disposed	g/HKD	0.1	0.07	+43%

Waste disposal increased because of our increase in Generic Drug sales and production which has incurred more wastage. The Group would continue monitor its hazardous waste disposal so as to minimise the impact both to the nature and the environment.

General waste

Other waste generated during the Reporting Period includes general waste which is non-hazardous in nature generated from offices and production facilities. This mainly consists of office waste paper and used packaging materials of raw materials purchased, the impact of which is immaterial compared to other ESG aspects. Hence although waste generation in this aspect is being continuously monitored, no relevant data has been collected.

[2] Intensity figures are calculated using the Group's revenue of HKD1,571.5 million in FY2020 and HKD1,478.1 million (restated) in FY2019

3 Environment (Continued)

3.3 EMISSIONS (Continued)

3.3.1 Waste management (Continued)

General waste (Continued)

Jacobson manages general waste by raising environmental awareness of its employees through the promotion of the concept of '4Rs' (reduce, reuse, replace and recycle) in our corporate social responsibility training. The Group has also adopted various measures to minimise waste generation, including:

- The setting up of recycling bins to collect used paper, cardboard boxes, packing materials, toners and ink cartridges;
- Encourage the practice of printing on both sides of paper;
- Print staff name card with soy ink and on recycled paper;
- Re-use and recycle used paper wherever possible;
- Source paper from environment-friendly manufacturers (FSC printing paper);
- Communicate wherever possible by digital means, for instance disseminate internal memorandum and reports via email, intranet or websites, conduct telephone calls or video teleconferencing instead of face-to-face meetings wherever possible;
- Engage a cleaning contractor to collect and handle refuse as well as assisting in waste recycling;
- Recycle computers on a regular basis through "Computer Recycle Program", an initiative operated by Caritas Hong Kong with subsidy from the HKSAR Government to salvage old computers to extend their use to save the environment from unnecessary waste while supporting underprivileged families.

3.3.2 Wastewater discharge

The Group's production generates wastewater discharge that has an overall immaterial impact compared to other ESG aspects. Nonetheless the Group has complied with laws and regulations related to water discharge which include the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) and the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》). Although in the interest of cost efficiency no wastewater data has been collected, Jacobson closely monitors its wastewater discharge system to ensure it is operating efficiently and effectively. Wastewater produced at its production facilities in Hong Kong is discharged into designated sewage network pipelines operated by Drainage Services Department. At manufacturing plants in Mainland China, the Group has installed wastewater treatment facilities that meet regulatory requirements of the PRC.

3.3.3 Air emissions

Our in-house logistics EURO V diesel vehicles are the main contributor to air emissions during the Reporting Period. The types of air pollutants emitted were as follows:

Types of air emissions	Source	Emission volume (kg)	Intensity[3] (g/HKD)
Nitrogen oxides (NOx)		584	<0.001
Sulphur oxides (SOx)	Self-owned vehicles	2	<0.001
Particulate Matters (PM)		54	<0.001

[3] Intensity figures are calculated using the Group's revenue of HKD1,571.5 million in FY2020 and HKD1,478.1 million (restated) in FY2019

3 Environment (Continued)

3.3 EMISSIONS (Continued)

3.3.4 Greenhouse Gas emissions

The use of diesel vehicles, the consumption of town gas and electricity, and water usage and treatment during the production process had all generated Greenhouse Gases (GHGs) either directly and indirectly. The types of GHG emissions in CO_2 equivalent emissions ("CO_2e") unit during the Reporting Period were as below:

Types of GHG emissions	Source	Emission volume (Tonnes)	Intensity[4] (g/HKD)
Direct emissions	• Self-owned vehicles • Use of town gas	31,269	20
Energy indirect emissions	Purchased electricity	20,743	13
Other indirect emissions	Fresh water & sewage treatment	105	<1
Total		52,117	33

3.3.5 Compliance status

During the Reporting Period, Jacobson was neither involved in any significant regulatory non-compliance related to applicable environmental laws and regulations, nor was it involved in any material environmental claims, lawsuits, penalties or administrative sanctions. In addition to the laws and regulations mentioned above, these relevant laws and regulations also include:

- Public Health and Municipal Services Ordinance (Cap. 132); and
- Control of Chemicals Ordinance (Cap. 145).

3.4 ENVIRONMENT AND NATURAL RESOURCES

Jacobson adheres to a production guideline of not using wild endangered species in the production of proprietary medicines. The Group uses Saussurea costus as an ingredient for the manufacturing of one of its proprietary medicines which is listed in the Schedule 1 to the Protection of Endangered species of Animals and Plants Ordinance (Cap. 586), is the type that is artificially propagated. The Group has also complied with all licencing requirements to obtain the relevant licence in accordance with the Protection of Endangered Species of Animals and Plants Ordinance (Chapter 586) and Import and Export Ordinance (Cap. 60).

4 Product responsibility

As a pharmaceutical manufacturer, Jacobson's key focus is to ensure its products are safe, effective and of high quality.

4.1 QUALITY OF PRODUCTS

The Group has all the necessary licences, permits and approvals for our production facilities, which include Certificate for Manufacturer for good manufacturing practice in respect of proprietary Chinese medicines in Hong Kong and National Medical Products Administration (NMPA) manufacturing license in Mainland China. All of the Group's production facilities in Hong Kong are accredited to the PIC/S GMP Guide set forth by the Pharmacy and Poisons Board of Hong Kong since 1 October 2015. Furthermore, Jacobson's generic drug manufacturing facility in Mainland China is implementing the GMP Guide set forth by NMPA.

GMP is a system for ensuring that products are consistently produced and controlled according to quality standard, and compliance to GMP is mandatory in all pharmaceutical manufacturing. This practice ensures manufacturers follow the established procedures – from the 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 – in order to achieve a high level of safety and quality standards of all medicines produced.

[4] Intensity figures are calculated using the Group's revenue of HKD1,571.5 million in FY2020 and HKD1,478.1 million (restated) in FY2019

4 Product responsibility (Continued)

4.1 QUALITY OF PRODUCTS (Continued)

Product quality control and assurance

Jacobson has stringent control on regulatory compliance and product quality following the Pharmacovigilance (PV) System, an internal policy to ensure the quality management meets the Local Regulatory Authority – Department of Health (DH) requirements and PV agreement with pharmaceutical suppliers, in order to provide safe, quality and efficacy pharmaceutical products.

Quality assurance and quality control departments work together to attain the PV system. The quality assurance department ensures the GMP compliance standard is met and is responsible for managing adverse drug reaction events. The quality control department ensures necessary and relevant tests are carried out, so that neither materials are released for use nor products are supplied for sale until their quality has been confirmed satisfactory. At the same time, the quality control department is responsible for preparing analytical procedures, establishing raw materials and product specifications, as well as conducting sampling and analysis. Analytical activities include conducting chemical and physical analyses of the raw materials, intermediate products and finished products; setting up a stability programme; and conducting stability studies to determine storage condition and product shelf life. The Group has adopted and conducted microbiological testing and measures on-site as stipulated by the DH. Furthermore, the Group's quality control department is responsible for the verification of manufacturing processes, environmental and water monitoring, method and process validation, and equipment calibration.

While supplying raw materials including active pharmaceutical ingredients (APIs) to the Group, the manufacturers must provide a certificate of analysis confirming that the materials comply with the prescribed specifications. After the purchase of raw materials and packaging materials is completed, the Group performs quality control tests on all such materials and only uses qualified materials in the manufacturing process. Jacobson manufactures and packages the products according to the pre-set and standardised procedures using qualified facilities and equipment. The manufacturing process of each product has been validated to ensure that the process operated within the established parameters can be performed effectively and reproducibly to produce a medicinal product that meets its predetermined specific and quality attributes.

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. The products are finally released from the quarantine area only after 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.

As for the finished products, the Group performs quality control tests on the full specifications for every batch. Products are released for sale only after confirming compliance to product specifications. In the rare case of product failure, the Group has in place product recall procedures with reference to the Pharmaceutical Products Recall Guidelines issued by the Department of Health of Hong Kong and the Group's policy on recycling, return and disposal of rejected products. The returned products should be transferred to the Group by the Group's vehicle and handled by the quality assurance department to place the returned products in the recycle area. It is necessary to return these products to supplier for destruction. There is neither products subject to recalls for safety and health reasons nor products received material complaints from customers during the Reporting Period.

4.2 PROMOTION AND SALES

Jacobson is primarily engaged in direct sales in Hong Kong and uses well-established third-party overseas distributors in Mainland China, Macau, Singapore, Malaysia, Indonesia, the United States, Taiwan and South America who can officially apply import license permit for product import and customs clearance.

For advertising and labelling of the products, Jacobson always adheres to the legal requirement including Undesirable Medical Advertisements Ordinance (Cap. 231) to ensure it does not convey false or misleading messages and incomplete information about its products. The Group, being a member of the Hong Kong Association of the Pharmaceutical Industry, strictly follows the code of conduct, including the guidelines in drug promotion and sales. At the same time, it complies with the Trade Descriptions Ordinance (Cap. 362) and Undesirable Medical Advertisements (Amendment) Ordinance 2005 (UMA(A)O) to ensure all information displayed on labelling and advertisement in products have been reviewed by relevant department before release.

4 Product responsibility (Continued)

4.2 PROMOTION AND SALES (Continued)

Each of the Group's products has adequate and clear labelling on the package as per regulatory requirements. Jacobson follows the "Guidelines on the Labelling of Pharmaceutical Products" issued by the DH, which ensures customers understand the caution warnings and how to use the products safely and meets the criteria from labelling requirement under Chinese Medicine Ordinance (Cap. 549). For the products distributed outside Hong Kong, the third party local distributors are responsible to fulfil all their local regulations. Regulatory and customs clearance are conducted by local distributor company legitimately. All the export terms are clearly mentioned in distribution agreement with all local distributors. Furthermore, our export term is mainly FOB Hong Kong, importation permit and local regulatory compliance are handled by local distributors which they have to follow their local pharmaceutical, healthcare supplement or food guidelines.

For the retail business like Hong Ning Hong Limited, the Group sources from manufacturers or designated distributors to ensure the goods are genuine. Once the goods are received, the Group performs checks to ensure proper labelling and instruction. The Group stores the goods in an air-conditioned place, or under designated temperature as instructed by vendors or product labels. The Group's staff regularly checks the expiry date of goods, and any expired goods will be properly treated. In order to prevent expired goods from reaching customers, Jacobson ensures such products are properly marked before disposal. For goods that require special treatment, the Group seeks instructions from the manufacturer.

4.3 COMPLIANCE STATUS

During the Reporting Period, the Group had not recorded any major breach of relevant laws and regulations related to drug quality, labelling, promotion and sales, in addition to those already previous mentioned these relevant laws and regulations include:

- Consumer Goods Safety Ordinance (Cap. 456) and Food Safety Ordinance (Cap. 612);
- Dangerous Drugs Ordinance (Cap. 134);
- Antibiotics Ordinance (Cap. 137); and
- Pharmacy and Poisons Ordinance (Cap. 138)

5 Supply chain management

Jacobson actively engages with its suppliers so that they are aware of and comply with its standards on business ethics, environment, and health and safety. In relation to the supply chain, the Group's operations are subject to various laws, rules, regulations and policies in each jurisdiction that it operates including Dangerous Goods (General) Regulations, Import and Export Ordinance, Import and Export (General) Regulations, Import and Export (Registration) Regulations.

Raw materials primarily used for the Group's generic drug production are APIs, excipients and packaging materials. Most of these raw materials and packaging materials are produced by GMP-accredited or ISO-certified manufacturers.

In selecting suppliers, we collect their certificates, accreditations, organisation charts etc. and have "Active Pharmaceutical Ingredient Vendor Approval Questionnaire" and "Raw Material Vendor Assessment Form" to evaluate suppliers' regulatory profile, premise and facility, quality assurance and quality control and personnel etc. The approval process also comprises an on-site audit as well as regular monitoring and review, including qualification assessment and sample testing. We also obtain Certificate of Analysis to ensure raw materials are specified and compliant with the relevant standards. The approval result is properly filed for future reference. As at the end of Reporting Period, raw materials used for the production of the Group's generic drugs are sourced from over 485 suppliers, primarily located in Mainland China, Switzerland, the United Kingdom, Spain, South Korea, India and Taiwan.

In the process of cooperating with supplier partners, the Group has designated teams that are responsible for purchasing raw materials and that routinely monitor the suppliers for any incidents or regulatory warnings. If we identify any quality concerns on raw materials from suppliers, we perform additional tests on the same types of materials we ordered from the supplier to ensure that all received batches of the raw material are free of impurities. If the tests cannot pass our standards, we will delist the supplier from our suppliers list, and source new suppliers for replacement. The Group maintains long-term relationships with suppliers of raw materials of generic drugs.

As for suppliers other than raw materials such as service providers of outsourced distribution logistics and employee shuttle bus, the Group has limited control over their mode of operations since they are operated by third parties. However, the Group will continue to explore ways to influence and educate their practices to align with the ESG strategies of the Group.

6 Employee

6.1 EMPLOYMENT

Jacobson highly values its employees and is committed to providing them a fair and equitable workplace environment. The Group strictly abides by all local legislations such as the Employment Ordinance of Hong Kong, Labour Contract Law and Labour Law of the People's Republic of China.

Jacobson has formulated and made available to employees standard policies related to staff compensation and benefits, recruitment and employment, work attendance, leave, training and development, equal opportunities, bribery prevention and code of conduct.

Recruitment and Promotion

The Group offers competitive remuneration packages comparable to others in the same industry. It regularly reviews the internal remuneration packages at all levels and collects external remuneration information from the labour market. The Group strives to create a fair, reasonable and competitive remuneration system based on position, individual skills and competencies, as well as work performance. Share incentive schemes are also available to employees who make significant contributions to the Group.

The employees have signed standard employment contracts with the Group. The remuneration packages of employees comprise of the following components: basic salary, sales-related incentives and performance-related bonus. In addition, the Group offers different types of leave including annual, sick, maternity, paternity, marriage, jury/witness duty, compassionate and no pay leave.

Jacobson sets performance attributes for its employees based on their positions and departments, and conducts performance review regularly. The Group applies the results of such reviews to employees' salary adjustments, bonus and promotion justifications. Furthermore, Jacobson offers various benefit plans to employees including top-up leave entitlement, medical and life insurance schemes. The Group's employees in China Mainland are unionised as per local labour laws.

Fairness and Anti-discrimination

The Group is committed to creating and promoting a fair and impartial work environment of equal opportunities. It opposes any form of discrimination and maintains a diverse workforce without regard to age, gender, family status, disability, sexual orientation, ethnicity, religion and political beliefs. Employees are guided by the "Policy on Equal Opportunities" to maintain standard of conduct preventing any inappropriate discrimination behaviour at workplace. The Group ensures that personal attributes not related to the job requirements shall not affect the employment opportunities and treatment of employees.

Labour standard

The Group adheres strictly to ethical labour standard during recruitment. Child labour is totally unacceptable and the Group only recruits employees above the minimum working age and the age of the candidates is verified with their identification documents during the recruitment process. Forced labour is also not tolerated by the Group, in which reasonable arrangement of working hours is made and employees should follow the working hours as stipulated in the employment contract. In case employees are assigned to different work schedules, they would be informed of the exact working hours in advance by the Department Manager. As stipulated in the employee handbook, when an employee is aware or suspicion of any violation to the Group's code of conduct by another employee, including but not limited to child and forced labour, he or she will have the responsibility to report such incident immediately to the personnel appropriate to the circumstance.

Compliance

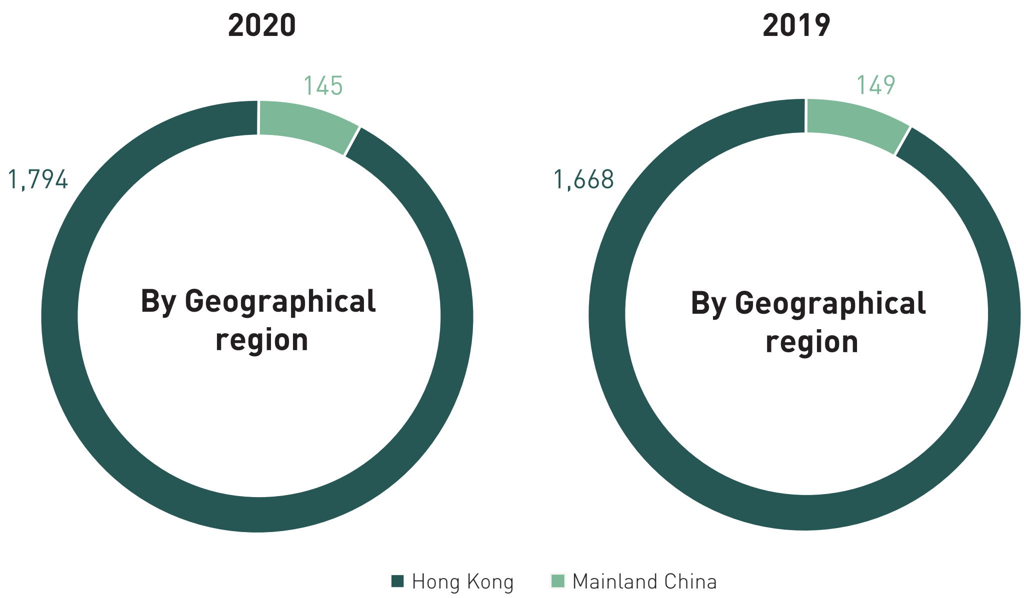
During the Reporting Period, there was no significant regulatory non-compliance related to remuneration and dismissal, recruitment and promotion, working hours, leave and holidays, equal opportunities, anti-discrimination and other matters related to staff benefits in the Group. In addition, no regulatory non-compliance related to child labour or forced labour prevention was recorded.

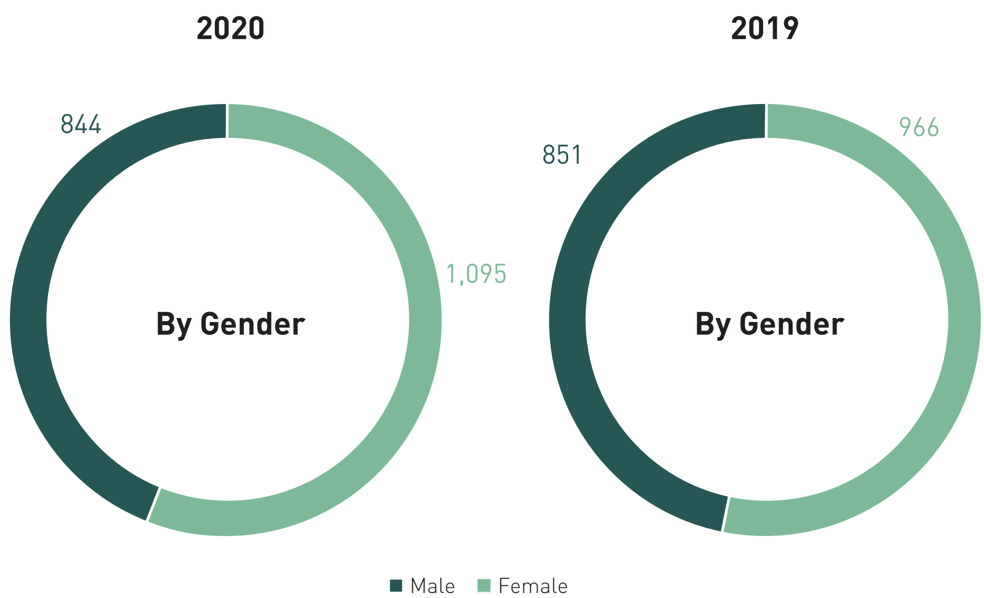
6 Employee (Continued)

6.1 EMPLOYMENT (Continued)

Employee composition

As at 31 March 2020, there were a total of 1,944 (2019: 1,822) employees, 5 (2019: 5) overseas employees have been excluded from the ESG scope during the Reporting Period as they relate only to a tiny fraction of the overall business activities. Of those 1,939 (2019: 1,817) employees included in the scope, 1,794 (2019: 1,668) were employed in Hong Kong, and the remaining 145 (2019: 149) were employed in Mainland China, the ratios of employees by geographical region, gender, age and employment type are shown below:

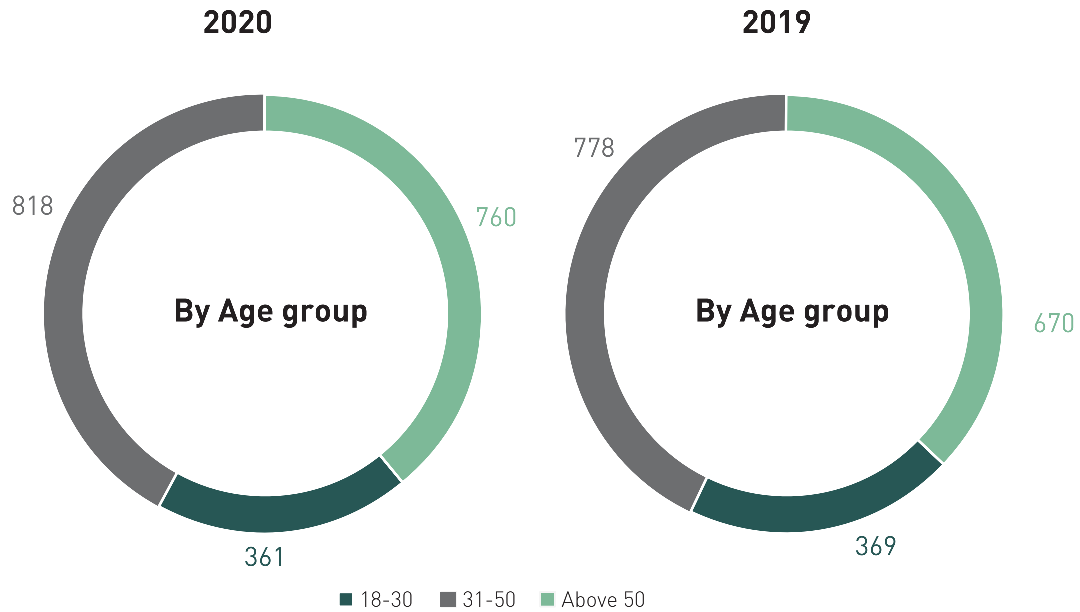




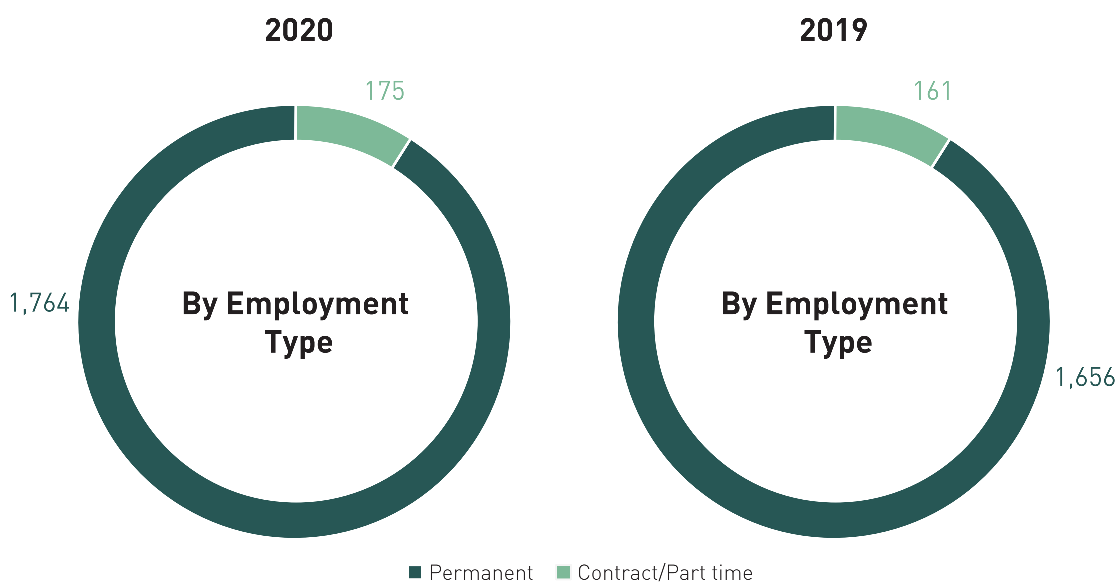
6 Employee (Continued)

6.1 EMPLOYMENT (Continued)

Employee composition (Continued)



As at 31 March 2020, 42% (2019: 43%) of employees were aged between 31 and 50, while 39% (2019: 37%) of them were aged above 50 and the remaining 19% (2019: 20%) were aged between 18 and 30. There was no significant change in the distribution of employees by age group compared to last Reporting Period.



91% (2019: 91%) of the employees worked as a permanent staff while the remaining 9% (2019: 9%) of them worked as contract/part-time. There was no significant change in the distribution of employees by employment type compared to the last Reporting Period.

6 Employee (Continued)

6.1 EMPLOYMENT (Continued)

Employee turnover

As at 31 March 2020, there was a total of 639 employees left the office, with an average turnover rate of 33% (2019: 27%). The turnover rate by gender, age and geographical region is as set below:

Category	Number	Percentage
By gender		
Male	236	37%
Female	403	63%
Total	639	100%
By age group		
18-30	187	29%
31-50	213	33%
Above 50	239	38%
Total	639	100%
By geographical region		
Hong Kong	607	95%
Mainland China	32	5%
Total	639	100%

6.2 DEVELOPMENT AND TRAINING

Jacobson has incorporated a policy for staff development and training in its employee handbook. The Group considers the provision of opportunities and room for career development to staff as its responsibility. The Group nominates employees to participate in internal and external training and development programmes. In addition, employees can apply for training sponsorship in accordance with the Company Sponsorship for External Studies/Training Policy to attend various courses in order to enhance their professional and management skills and knowledge. The Group also offers orientation program to new recruits and provides general training on manufacturing skills, equipment operations, health and safety GMP and PIC/S standards to production staff. The Group will continue monitor the needs of its employees and provide training opportunities accordingly to nurture a culture of learning and development within the Group.

During the Reporting Period, the Group's staff attended several external training sessions. Through participation in external training sessions, its employees can keep up with the latest development and trends in the industry, to promote the competitive advantages of the Group.

6 Employee (Continued)

6.2 DEVELOPMENT AND TRAINING (Continued)

In the event of any vacancy, the Group tries to promote employees from within as a primary policy, and conducts external recruitment only as a supportive measure. Employees who show their competencies and abilities with outstanding performance will be given priority for promotion and development. The Group also offers job rotation opportunities to potential employees by transferring them to different departments or business units so that their career paths are developed in line with their personal interest and capabilities.

During the Reporting Period, a total of 7,332 (2019: 9,027) hours of training were provided to employees. The decrease was due to some training programs are not available this year. Total training hours by employee category is as follows:

Training and development	Unit	FY2020	FY2019	% Change
Total training hours by employee category				
– Management	Hours	1,964	2,058	–5%
– Non-management	Hours	5,368	6,969	–23%

6.3 HEALTH AND SAFETY

Staff health and safety is of utmost importance to the Group. The Group has a designated safety manager who closely monitors each premise to enhance the overall safety management and is committed to comply with significant health and safety laws and regulations which include The Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), Fire Safety (Buildings) Ordinance (Cap. 572) and Boilers and Pressure Vessels Ordinance (Cap. 56). 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. An external safety audit firm is engaged to conduct annual safety review at the Group's manufacturing sites and logistics centre in order to ensure all safety policies and procedures are strictly adhered to.

Safety manual is created, periodically reviewed and updated by the safety manager in order to promote a safer work environment and procedures. Employees are well-informed of the safety principles as stipulated in the safety manual during their employment period. In case of any accident at work, it must be reported to the department manager, the Safety manager and the Human Resources Department. Employees' Compensation Insurance is provided to the employees for injuries at work.

We have installed air filtration systems as part of the GMP compliance in all fume hoods of the Quality Control laboratories and Heating, Ventilation, and Air Conditioning (HVAC) systems at our antibiotic manufacturing facilities, which ensure product quality as well as air quality in the workplace environment. In addition, the Group provides appropriate personal protective equipment (PPE) such as masks and gloves to employees at the manufacturing sites.

To better prepare employees to response rapidly and appropriately in the unlikely event of fire or emergencies, Jacobson provides work safety training to employees to reinforce their safety awareness, which includes fire safety training and drills.

Jacobson provides annual physical examination to production employees. Upon completion of their probationary period, employees are eligible to join the Group's medical insurance scheme, which covers in-patient, out-patient and dental benefits.

During the Reporting Period, the numbers of work-related accidents are shown in the table below, where most of them were minor hand or leg injuries caused by non-moving objects. The safety manager conducted safety training on machine operation and cleaning to production employees in all manufacturing sites to refresh their work safety alertness. It is effective to decrease the number of injuries. Jacobson will continue to monitor health and safety at workplace and eventually increase safety awareness among employees for minimising injuries at work.

Health and safety	FY2020	FY2019	% Change
Total number of fatal cases arising from work accidents	–	–	unchanged
Total number of injury cases arising from work accidents	20	29	–31%

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 Employee (Continued)

6.4 ANTI-CORRUPTION

Jacobson strives to prevent bribery, extortion, fraud and money laundering in its business and is committed to comply with the related laws and regulations in relation to the prevention of corrupt practices including the Prevention of Bribery Ordinance in Hong Kong.

The Group has made available to its employees a policy on bribery prevention, which states its commitment to honesty, integrity and fair play. As per the policy, paying or receiving bribes and kickbacks in commercial transactions is strictly prohibited. It also provides clear guidance on the acceptance of gifts, and requires staff to report to the management for unavoidable gift acceptance. The Group takes these matters seriously and any breach of the policy will be subject to disciplinary action including termination of employment.

To avoid any potential or actual conflicts between employees' acts or relationships with the interest of the Group or with their duties, employees should sign a declaration of conflict of interest and report to the Department Head of Finance. In case of any conflict of interest during the discharge of duties, the staff concerned has to seek instruction from the management whether to refrain from performing the work. Investigation will be carried out promptly for any suspected incident of fraud and staff will be dismissed if proven to have committed any fraud.

Furthermore, Jacobson encourages staff to report any issues of suspected corruption to Human Resources department. In addition, any suspected case of corruption or other criminal offence shall be reported to law enforcement authorities.

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

The Group is committed to be a good corporate citizen. We believe that the sustainability of our business hinges on the state of the community in which it serves. We focus on taking care of vulnerable groups, promoting environmental protection awareness, organising charitable donations and supporting education.

EDUCATION SPONSORSHIP AND INTERNSHIP OPPORTUNITIES

Support for education has been a core part of our corporate social responsibility to ensure the sustainable development of the pharmaceutical industry with the cultivation of talented and dedicated professionals.

Through sponsorships, we have been providing scholarships to outstanding pharmacy students under the established schemes of the "HKU Li Ka Shing Faculty of Medicine Jacobson Prizes and Scholarships" and the "Chinese University of Hong Kong Faculty of Medicine Scholarships and Prizes".

To allow students the opportunity to apply acquired knowledge to real work experience and acquaint themselves with the field they are interested in, the Group runs recurring internship programs for local and overseas university students to support their professional and personal developments.

CARE FOR THE COMMUNITY

As a corporate social citizen and a health journey partner, we care about the wellbeing of our patients and the communities we touch.

Constituting a key part of our community work, we seek to support healthcare and education initiatives, and engage in different community activities. Efforts and recognitions for our community programs in the year include:

- Participation in the "Pink Walk for Breast Health 2019" organised by Hong Kong Breast Cancer Foundation (HKBCF);
- Product sponsorships including Tong Tai Chung Woodlok Oil, Po Chai Pills and Flying Eagle Woodlok Oil in more than 30 elderly events or activities organised by charitable and non-governmental organisations in Hong Kong;
- Providing sponsorship for the "ShauKiwan Dragon Boat Festival 2019" organised by the Luen Yee Dragon Boat Association.

A Appendix – HKEX ESG Reporting Guide Index

A summary of the provisions in the HKEx ESG Reporting Guide and our compliance to these provisions are set out below:

A. Environmental			**Comply in Section**	**Explain**
A1 Emissions	Policies and compliance with relevant laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		3.3	
	A1.1	The types of emissions and respective emissions data.	3.3.1 3.3.3 3.3.4	Data for wastewater discharge was not collected as explained in 3.3.2
	A1.2	Greenhouse gas emissions in total (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.3.4	
	A1.3	Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.3.1	
	A1.4	Total non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	X	Data was not collected since it is immaterial as explained in 3.3.1
	A1.5	Description of measures to mitigate emissions and results achieved.	3.3	
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	3.3.1	

A Appendix – HKEX ESG Reporting Guide Index (Continued)

A. Environmental			Comply in Section	Explain
A2 Use of Resources	Policies on the efficient use of resources, including energy, water and other raw materials.		3.2	
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh) and intensity (e.g. per unit of production volume, per facility).	3.2.2	
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	3.2.3	
	A2.3	Description of energy use efficiency initiatives and results achieved.	3.2.2	
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	3.2.3	
	A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.	3.2.1	Presented in cost of purchase due to difficulty in ascertaining a wide range of package materials all with different weights and sizes
A3 Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources.		3.4	
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3.4	

A Appendix – HKEX ESG Reporting Guide Index (Continued)

B. Disclosures – Social			Comply in Section	Explain
B1 Employment	Policies and compliance with relevant laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		6.1	
	B1.1	Total workforce by gender, employment type, age group and geographical region.	6.1	
	B1.2	Employee turnover rate by gender, age group and geographical region.	6.1	
B2 Health and Safety	Policies and compliance with relevant laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards.		6.3	
	B2.1	Number and rate of work-related fatalities.	6.3	
	B2.2	Lost days due to work injury.	6.3	
	B2.3	Description of occupational health and safety measures adopted and how they are implemented and monitored.	6.3	
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		6.2	
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	6.2	Relevant training data cannot be categorised by gender
	B3.2	The average training hours completed per employee by gender and employee category.	X	No relevant data was collected during this Reporting Period

A Appendix – HKEX ESG Reporting Guide Index (Continued)

B. Disclosures – Social			**Comply in Section**	**Explain**
B4 Labour Standards	Policies and compliance with relevant laws and regulations relating to preventing child and forced labour.		6.1	
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	6.1	
	B4.2	Description of steps taken to eliminate such practices when discovered.	6.1	
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.		5	
	B5.1	Number of suppliers by geographical region.	5	Number of suppliers cannot be categorised by geographical region
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	5	
B6 Product Responsibility	Policies and compliance with relevant laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		4	
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	4.1	
	B6.2	Number of products and service related to complaints received and how they are dealt with.	4.1	
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	X	No relevant data was collected during this Reporting Period
	B6.4	Description of quality assurance process and recall procedures.	4.1	
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	X	Immaterial since the Group does not collect consumers' data

A Appendix – HKEX ESG Reporting Guide Index (Continued)

B. Disclosures – Social			Comply in Section	Explain
B7 Anti-corruption	Policies and compliance with relevant laws and regulations relating to bribery, extortion, fraud and money laundering.		6.4	
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	6.4	
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	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	
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	7	
	B8.2	Resources contributed (e.g. money or time) to the focus area.	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 2020.

PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the development, production, marketing and sale of generic drugs and proprietary medicines. Details of the principal subsidiaries of the Company are set out in note 12 to the consolidated financial statements.

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 dedicated quality control and quality assurance team in each manufacturing plant to ensure compliance with relevant regulations.

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

- The Group operates in generic drugs business and development of new products provides additional growth driver for the Group. However, we may not be able to develop and launch new product according to our schedule. The Group continues to invest in the 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. Further details are set out in the "Environmental, Social and Governance Report" of this Annual Report.

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 purchasing 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 Reporting Period and the Group's financial position at the end of Reporting Period are set out in the financial statements on pages 76 to 148 of this Annual Report.

The Board recommends to declare a final dividend of HK2.5 cents per share for FY2020 (2019: final dividend of HK3.0 cents per share), subject to the approval of shareholders at the 2020 AGM to be held on 23 September 2020 (Wednesday), which is expected to be paid on 13 October 2020 (Tuesday) to shareholders whose names appear on the register of members of the Company on 30 September 2020 (Wednesday), being the record date for determining shareholders' entitlement to the proposed final dividend. Including the interim dividend of HK2.0 cents per share paid on 23 December 2019, the total dividend for FY2020 amounts to HK4.5 cents per share (2019 total dividend: HK4.5 cents per share). The details of final dividend of the Group are set out in note 9 to the consolidated financial statements.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, is set out on page 149. This summary does not form part of the audited financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set in note 24 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The reserves available for distribution to the shareholders by the Company at 31 March 2020 consisted of share premium, distributable reserve and retained profits totaling HK$2,167,584,000 (31 March 2019: HK$1,429,428,000). Movements in the reserves of the Company and the Group during the year are set out in note 25 to the consolidated financial statements on page 135 and the Consolidated Statement of Changes in Equity on page 79 respectively.

BORROWINGS

Particulars of borrowings of the Group as at 31 March 2020 are set out in note 22 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, the Company repurchased a total of 81,404,000 Shares of the Company at an aggregate consideration of HK$127,634,000 (excluding expenses) on the Stock Exchange as follows:

Month of Shares repurchase	Total number of Shares repurchased	Price paid per Share		Aggregate consideration paid (excluding expenses)
		Highest	Lowest	
		HK$	HK$	HK$'000
December 2019	69,634,000	1.73	1.31	107,212
January 2020	11,770,000	1.74	1.66	20,422
Total	81,404,000			127,634

14,218,000 repurchased Shares and 67,186,000 repurchased Shares were cancelled on 24 December 2019 and 29 April 2020 respectively. Accordingly, the issued share capital of the Company was reduced to 2,001,407,000 Shares and 1,934,221,000 Shares on 24 December 2019 and 29 April 2020 respectively. The repurchases were made with a view to enhancing the earnings per Share.

Save as disclosed above, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities throughout the Reporting Period.

DIRECTORS

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

Mr. Sum Kwong Yip, Derek*
(Chairman and Chief Executive Officer)
Mr. Yim Chun Leung*
Ms. Pun Yue Wai*
Professor Lam Sing Kwong, Simon^
Dr. Lam Kwing Tong, Alan**
Mr. Young Chun Man, Kenneth**
Professor Wong Chi Kei, Ian**

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

DIRECTORS (Continued)

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 annual general meeting. At the 2020 AGM, Mr. Sum Kwong Yip, Derek, Mr. Yim Chun Leung and Ms. Pun Yue Wai will retire and, being eligible, offer themselves for re-election.

During the Reporting Period, there was no Director tendering resignation, refusing to stand for re-election to office, nor has the Company 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 since the Company's last published interim report and up to the date of this annual report are set out below:

(a) **Mr. Young Chun Man, Kenneth**, an independent non-executive Director, ceased as fellow of The Hong Kong Institute of Directors on 31 December 2019.

(b) **Professor Wong Chi Kei, Ian**, an independent non-executive Director, has been appointed as a member of The Pharmacy and Poisons Board of Hong Kong on 1 September 2019 for a term between 2019 and 2021.

DIRECTORS' BIOGRAPHIES

(A) EXECUTIVE DIRECTORS

Mr. Sum Kwong Yip, Derek ("Mr. Sum"), aged 57, is the founder of the Group. Mr. Sum is also an executive Director, chairman of the Board and the chief executive officer of the Company since 1 April 2016, chairman of the executive committee of the Company since 22 November 2017 and chairman of scientific advisory committee of the Company. He has been appointed as the chairman of the award committee established for the purpose of a share award scheme adopted by the Company on 16 October 2018. He is also a director of a substantial shareholder and controlling shareholder of the Company, namely Queenshill Development Limited and Kingshill Development Limited, and certain subsidiaries of the Group. He is mainly responsible for the overall strategic planning and operation management of the Group. 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 32 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.

DIRECTORS' BIOGRAPHIES (Continued)

(A) EXECUTIVE DIRECTORS (Continued)

Mr. Yim Chun Leung ("Mr. Yim"), aged 58, is an executive Director since 1 April 2016, a member of the nomination committee of the Company since 21 September 2016, and a member of the executive committee of the Company since 22 November 2017 and the company secretary of the Company since 1 July 2019. He has been appointed as a member of the award committee established for the purpose of a share award scheme adopted by the Company on 16 October 2018. He is also a director of certain subsidiaries of the Group. Mr. Yim joined the Group as an independent non-executive director of Jacobson Pharma Group (BVI) Limited in September 2008. Mr. Yim is mainly responsible for corporate management, strategic development and investor relationship functions of the Group. Mr. Yim has over 35 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 of the Stock Exchange. 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 (formerly known as New Heritage Holdings Ltd., 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 (now 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, stock code: 687). Mr. Yim is the brother-in-law of Professor Lam Sing Kwong, Simon, the non-executive Director.

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.

Ms. Pun Yue Wai ("Ms. Pun"), aged 68, is an executive Director, a member of the remuneration committee of the Company since 1 February 2017 and a member of the executive committee of the Company since 22 November 2017. She is also a director of certain subsidiaries of the Group and 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.

(B) NON-EXECUTIVE DIRECTOR

Professor Lam Sing Kwong, Simon ("Professor Lam"), aged 61, was appointed as a non-executive Director on 11 April 2016 and is 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, organisation 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 organisations 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). From 10 June 2013 to 29 July 2016, he was an independent non-executive director of Beijing Enterprises Clean Energy Group Limited (formerly known as Jin Cai Holdings Company Limited, stock code: 1250). From 8 December 2014 to 22 April 2016, he was an independent non-executive director of Huarong Investment Stock Corporation Limited (formerly known as Chun Sing Engineering Holdings Limited, stock code: 2277) and from 31 July 2014 to 24 June 2016, he was an independent non-executive director of Greatwalle Inc. (formerly known as King Force Group Holdings Limited, stock code: 8315), the issued shares of which are listed on the Main Board and the GEM of the Stock Exchange. Professor Lam is the brother-in-law of Mr. Yim Chun Leung, an executive Director and the company secretary.

DIRECTORS' BIOGRAPHIES (Continued)

(C) INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lam Kwing Tong, Alan ("Dr. Lam"), aged 57, is an independent non-executive Director 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.

Mr. Young Chun Man, Kenneth ("Mr. Young"), aged 56, is an independent non-executive Director 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 17 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 China Tonghai International Financial Limited (formerly known as Quam Limited and China Oceanwide International Financial Limited, stock code: 952), the issued shares of which are listed on the Main Board of the Stock Exchange, 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 organisation, 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 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 also held various committee member positions with The Hong Kong Institute of Certified Public Accountants from 1998 to 2014.

Professor Wong Chi Kei, Ian ("Professor Wong"), aged 53, is an independent non-executive Director since 1 December 2017, the chairman of the nomination committee and a member of the audit committee of the Company since 1 December 2017 and a member of the scientific advisory committee of the Company since 2016. Professor Wong is the holder of Lo Shiu Kwan Kan Po Ling Endowed Professorship in Pharmacy and the Head of Department of Pharmacology and Pharmacy, University of Hong Kong. He is also a member of the Pharmacy and Poisons Board of Hong Kong for a term between 2019 and 2021.

Prior to his current appointment, Professor Wong was a member of the Pharmacy and Poisons Board of Hong Kong between 2012 and 2015. Professor Wong was the Head of Research Department of Practice and Policy at the UCL School of Pharmacy between 2015 and 2018. He was the Founding Director of the Centre for Paediatric Pharmacy Research between 2002 and 2011, at The School of Pharmacy, UCL Institute of Child Health, University of London and Great Ormond Street Hospital for Children.

A recipient of a UK Department of Health Public Health Career Scientist Award in 2002, Professor Wong is the only pharmacist to date to have received such an award in the UK. He also received the Chemist and Druggist's Pharmacy Practice Research Medal in 2004 for his research in paediatric medicines. In recognition of his work in paediatric medicines research, Professor Wong was awarded an Honorary Fellowship of the Royal College of Paediatrics and Child Health in 2011, and Fellowship of the Royal Pharmaceutical Society in 2012.

Professor Wong qualified as a pharmacist in the UK in 1992 and in Hong Kong in 1993. Professor Wong worked at the former Medicines Control Agency (Regulatory Authority) between 1992 and 1993. His research career began when he took up a research pharmacist post at the David Lewis Centre for Epilepsy to investigate the safety of new antiepileptic drugs between 1994 and 1997. Professor Wong received his PhD from Manchester Medical School in 1998 for his work at the David Lewis Centre. Thereafter, he took up a Lecturer in Pharmacy Practice post at the University of Bradford in 1997, and became Senior Lecturer in 2001.

In association with The UCL School of Pharmacy, UCL Institute Child Health, Great Ormond Street Children's Hospital and investors, Professor Wong set up Therakind Ltd in 2007. Therakind Ltd is a private European pharmaceutical company specialising in research and development of medicines for children.

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 were 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 or the Director's connected entity had a material interest, whether directly or indirectly, subsisted at the end of FY2020 or at any time during FY2020.

INTERESTS IN COMPETING BUSINESS

None of the Directors is interested in any business apart from the Group's 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 a renewed term of three years from 1 April 2019, except Ms. Pun Yue Wai, whose renewed term is for two years from 1 February 2019, all of which may be terminated by either party giving to the other party not less than 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 2019, except Professor Wong Chi Kei, Ian, whose letter of appointment with the Company for a term of three years from 1 December 2017, which may be terminated earlier by either party serving on the other party not less than one month's notice in writing.

None of the Directors proposed for re-election at the 2020 AGM is a party to any service contract with the Company which is not determinable by the Company within one year without payment of compensation 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, which were not a contract of service with any Director or any person engaged in the full-time employment of our Company, 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. 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. As at 31 March 2020, the maximum number of ordinary shares of the Company which may be issued upon exercise of all share options that may be granted under the Share Option Scheme (excluding options that were granted but outstanding, cancelled or lapsed in accordance with the Share Option Scheme) was 138,000,000 shares, representing approximately 7.13% 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.

EQUITY-LINKED AGREEMENTS (Continued)

SHARE OPTION SCHEME (Continued)

The total number of shares issued and to be issued to each participant under the Share Option Scheme on exercise of his/her options (including both exercised and outstanding options) during any 12-month period shall not exceed 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 quotations 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 31 March 2020, the Company has granted a total of 37,000,000 share options to eligible grantees, including certain Directors and employees of the Group, on 30 June 2017 and 18 October 2017, while a total of 26,120,000 share options were lapsed or forfeited and no share option had been exercised under the Share Option Scheme. Details of the movement in the share options under the Share Option Scheme during the Reporting Period and outstanding as at 31 March 2020 were as follows:

	Number of share options								
	Outstanding as at 1 April 2019	Granted during the year	Exercised during the year	Lapsed or forfeited during the year	Cancelled during the year	Outstanding as at 31 March 2020	Date of grant	Exercise price per ordinary share	Exercisable period
Directors:									
Mr. Yim Chun Leung	9,000,000	–	–	4,500,000	–	4,500,000	30 June 2017	HK$2.06	from 1 October 2018 up to 30 September 2020 in two tranches
Ms. Pun Yue Wai	3,000,000	–	–	1,500,000	–	1,500,000	30 June 2017	HK$2.06	from 1 October 2018 up to 30 September 2020 in two tranches
Sub-total	12,000,000	–	–	6,000,000	–	6,000,000			
All other employees:	11,480,000	–	–	7,600,000	–	3,880,000	30 June 2017	HK$2.06	from 1 October 2018 up to 30 September 2020 in two tranches
	1,000,000	–	–	–	–	1,000,000	18 October 2017	HK$2.13	from 18 October 2017 up to 17 October 2020 subject to the vesting date on 1 April 2018
Sub-total	12,480,000	–	–	7,600,000	–	4,880,000			
Grant Total	24,480,000	–	–	13,600,000	–	10,880,000			

The share options granted on 30 June 2017 are valid and exercisable within a validity period from 1 October 2018 and 2019 up to 30 September 2019 and 2020 respectively in two tranches and any outstanding Options that the grantee has not exercised during the period for the respective tranche shall lapse automatically upon the expiry of the period for the respective tranche. Whereas, the share options granted on 18 October 2017 are valid for three years commencing from 18 October 2017 up to 17 October 2020 and are exercisable subject to the vesting date on 1 April 2018 and any outstanding Options that the grantee has not exercised during the period shall lapse automatically upon the expiry of the period.

EQUITY-LINKED AGREEMENTS (Continued)

SHARE AWARD SCHEME

The share award scheme of the Company was adopted by the Board on 16 October 2018. The purpose of the Share Award Scheme is to recognise and reward the contribution of certain eligible person(s) for the growth and development of the Group and to provide them with incentives in order to retain them for the continual operation, development and long-term growth of the Group and to attract suitable personnel for further development of the Group.

The eligible person(s) for the Share Award Scheme includes any individual who is an employee (whether full time or part time), director, officer, consultant or advisor of any member of the Group or any entity in which any member of the Group holds any equity interest who is considered by the Board, in its sole discretion, to have contributed to or will contribute to the Group, and is selected by the Board for achieving the purposes of the Share Award Scheme.

On 16 October 2018, a new award committee ("Award Committee") was established for the purpose of the Share Award Scheme, and delegated with the power and authority by the Board to administer the Share Award Scheme. An independent third party has been appointed as a trustee (the "Trustee") under the Share Award Scheme.

The Share Award Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules, and is a discretionary scheme of the Company.

Unless otherwise terminated or altered, the Share Award Scheme should be valid and effective for a period of ten years commencing from 16 October 2018. Pursuant to the Share Award Scheme, the Trustee will purchase existing shares of the Company from the market or subscribe for new ordinary shares from the Company out of the money contributed by the Group, and such shares will be held on trust for selected participants of the scheme until such awarded shares are vested with the relevant selected participants. At no point in time shall the Trustee be holding more than 3% of the total number of shares of the Company in issue under the Share Award Scheme. In addition, unless approved by the Board, the Award Committee shall not grant any awarded shares to any selected participant if the granting of such awarded shares would result in the total number of shares vested or to be vested in the relevant selected participant during any 12 month period exceeding 0.5% of the total issued shares of the Company (save and except that any grant of Awarded Shares to an independent non-executive Director should not result in the total number of shares vested or to be vested in that person (under the Share Award Scheme or otherwise) during any 12 month period exceeding 0.1% of the total issued shares of the Company). Details of the rules of the Share Award Scheme were set out in the announcement of the Company dated 16 October 2018.

Up to 31 March 2020, the Trustee has purchased 17,268,000 existing shares of the Company from the market. During the Reporting Period, no share was issued under the Share Award Scheme, and no share was granted to any selected participant under the Share Award Scheme.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the Share Option Scheme and the Share Award 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.

GENERAL DISCLOSURE PURSUANT TO LISTING RULES

Pursuant to the Listing Rules, the Company discloses the following information:

On 6 September 2017, the Company entered into a subscription agreement with each of the two subscribers thereby the subscribers agreed to subscribe for the 3.5% convertible notes in an aggregate principal amount of HK$500 million due 2020 and the subscriptions for the convertible notes were completed on 3 October 2017. Based on the initial conversion price of HK$2.50 per conversion share, a maximum of 200,000,000 shares of the Company will be allotted and issued upon exercise of the conversion rights attached to the convertible notes in full.

The Group has fully redeemed principal amounts of HK$500 million of the convertible notes during the Reporting Period. There was no outstanding convertible notes as at 31 March 2020.

DEED OF NON-COMPETITION

On 30 August 2016, the Controlling Shareholders of the Company, Longjin Investments Limited ("Longjin") and Mr. Lau Wing Hung ("Mr. Lau") (all together the "Covenantors") have entered into a Deed of Non-competition in favor of the Company, pursuant to which the Covenantors 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 the Group carried on business (the "Restricted Business").

If there is any new business opportunity in the Restricted Business, the Covenantors 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 Covenantors 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 Covenantors 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 Covenantors confirmed that they have complied with the Deed of Non-competition for FY2020. The independent non-executive Directors have conducted a review for FY2020 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 during the Reporting Period.

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

As at 31 March 2020, 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 were as follows:

(I) INTERESTS IN 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]	Beneficial owner Interests in controlled corporation Settlor of trusts Beneficiary of trusts	1,138,976,000	56.90%	Long position
Mr. Yim Chun Leung	Beneficial owner	29,820,000	1.48%	Long position
Ms. Pun Yue Wai	Beneficial owner	2,210,000	0.11%	Long position
Dr. Lam Kwing Tong, Alan	Interests of spouse	470,000	0.02%	Long position

Note:

(1) Mr. Sum is the registered and beneficial owner of 2,000,000 shares in the Company. Queenshill, a company wholly-owned by Mr. Sum, also held 286,292,000 shares in the Company. By virtue of the SFO, Mr. Sum is deemed to be interested in the 286,292,000 shares held by Queenshill. 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.

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

(II) INTERESTS IN UNDERLYING SHARES OF THE COMPANY HELD THROUGH SHARE OPTIONS

Share options were granted to two executive Directors under the share option scheme adopted by the shareholders of the Company on 30 August 2016 (the "Share Option Scheme").

As at 31 March 2020, Directors had personal interests in the following underlying shares of the Company held through share options granted under the Share Option Scheme:

Name of Director	Capacity in which such interests were held	Number of underlying ordinary shares	Percentage of issued voting shares
Mr. Yim Chun Leung	Beneficial owner	4,500,000	0.22%
Ms. Pun Yue Wai	Beneficial owner	1,500,000	0.07%

Further details of share options granted to Directors under the Share Option Scheme are set out in the section headed "Share Option Scheme".

These interests in share options represented long positions in the underlying shares in respect of physically settled derivatives of the Company. Interests of the Directors, Mr. Yim Chun Leung and Ms. Pun Yue Wai, set out in this subsection (II) shall be aggregated with their respective interests in the shares of the Company set out in subsection (I) above in order to give the total interests of the Director in the Company pursuant to the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, so far as known to any Directors as at 31 March 2020, 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 2020, 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:

INTERESTS IN SHARES OF THE COMPANY

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	286,292,000	14.30%	Long position
Kingshill[2]	Beneficial owner	850,684,000	42.50%	Long position
Trust Co[2]	Interest in controlled corporation	850,684,000	42.50%	Long position
UBS Trustees (B.V.I.) Limited[2]	Trustee	850,684,000	42.50%	Long position
Longjin[3]	Beneficial owner	157,050,000	7.84%	Long position
Mr. Lau[3]	Interest in controlled corporation	157,050,000	7.84%	Long position
Mr. Sum[1][2][4]	Beneficial owner Interest in controlled corporation Settlor of trusts Beneficiary of trusts	1,138,976,000	56.90%	Long position
Yunnan Baiyao Group[5]	Beneficial owner	200,000,000	9.99%	Long position

Notes:

(1) Mr. Sum is the sole shareholder of Queenshill. By virtue of the SFO, Mr. Sum is deemed to be interested in the 286,292,000 shares held by Queenshill.

(2) 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.

(3) Longjin is owned as to 75% by Mr. Lau. By virtue of SFO, Mr. Lau is deemed to be interested in the 157,050,000 shares held by Longjin.

(4) Mr. Sum is the registered and beneficial owner of 2,000,000 shares of the Company.

(5) Pursuant to the subscription agreement dated 14 August 2018 entered into by Yunnan Baiyao Holdings Company Limited* (雲南白藥控股有限公司) ("Yunnan Baiyao") and the Company in relation to the subscription of 200,000,000 new ordinary shares at the subscription price of HK$2.06 per share. 200,000,000 new ordinary shares were issued to Yunnan Baiyao on 3 September 2018. For details of the subscription and issuance of 200,000,000 new ordinary shares, please refer to the announcements of the Company dated 14 August 2018 and 3 September 2018 respectively. Yunnan Baiyao was merged into and absorbed by Yunnan Baiyao Group in accordance with the applicable laws of the PRC and all assets and liabilities of Yunnan Baiyao was assumed by Yunnan Baiyao Group with effect from July 2019. For details, please refer to the announcement of the Company dated 8 May 2019.

* *For purpose of identification only*

Save as disclosed above, as at 31 March 2020, the Directors are not aware of any other person (other than 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 17 January 2020, a wholly-owned subsidiary of the Company, Jacobson Pharma Group (BVI) Limited ("JPGBVI") entered into a sale and purchase agreement with Mr. Lau (a controlling shareholder of the Company until 30 March 2020) thereby JPGBVI agreed to purchase and Mr. Lau agreed to sell the 100 shares of Rexway Group Limited ("Rexway") at a consideration of HK$7,800,000. Rexway was the sole and beneficial owner of the entire issued share capital of Courtesy Associates Limited, which is the holder of the corporate golf club membership of The Clearwater Bay Golf and Country Club (the "Club").

CONNECTED TRANSACTION (Continued)

Pursuing a regional market development strategy and riding on its successful track record of partnerships, the Group has been actively engaging in forging collaborations with reputable industry partners from all over the world in form of licensing, technology transfer or product presentation to tap the high growing market potentials in Asia Pacific and Greater China Regions. The business receptions and meetings under the collaboration liaisons, whether formal or informal, have become frequent and therefore the Board considers that the facilities provided by the Club enable the Group to offer suitable hospitality for facilitating and enhancing the development of business relationship with the Group's business partners, customers and suppliers.

Details of the Group's related party transactions are set out in note 31 to the consolidated financial statements in accordance with the applicable Hong Kong Financial Reporting Standards for preparing these financial statements. Save as disclosed above, none of the related party transactions constitutes a discloseable connected transaction or a continuing connected transaction under Chapter 14A of the Listing Rules. 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 Reporting Period, the aggregate revenue attributable to the Group's five largest customers was 37.0% (FY2019: 34.6%)(Restated) of the total revenue. The largest customer accounted for 30.6% (FY2019: 27.6%)(Restated) of the Group's revenue.

For the Reporting Period, 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 did not make any charitable donations (FY2019: HK$22,000).

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 2020 AGM.

On behalf of the Board

Sum Kwong Yip, Derek
Chairman
Hong Kong, 30 June 2020

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 76 to 148, which comprise the consolidated statement of financial position as at 31 March 2020, 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 2020 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.

Assessing potential impairment of intangible assets

Refer to note 11 to the consolidated financial statements and the accounting policies in note 1(O)(ii).

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 2020 totalled HK$1,310.9 million, which included goodwill of HK$412.0 million and trademarks with indefinite useful life of HK$369.9 million. Management allocates intangible assets, including goodwill, to separately identifiable cash generating units ("CGUs") and assesses if there are any indications of impairment of these CGUs. If any indications 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 flow forecasts. 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 information 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 Lee Ka Nang.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
30 June 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2020 (Expressed in Hong Kong dollars)

	Note	Year ended 31 March 2020 HK$'000	2019 (Notes) HK$'000 (Restated)
Continuing operations			
Revenue	2	**1,571,459**	1,478,125
Cost of sales		**(881,481)**	(803,474)
Gross profit		**689,978**	674,651
Other net income	3	**30,091**	37,064
Selling and distribution expenses		**(195,286)**	(168,877)
Administrative and other operating expenses		**(206,566)**	(172,253)
Profit from operations		**318,217**	370,585
Finance costs	4(A)	**(55,359)**	(66,198)
Share of profits less losses of associates		**1,993**	4,719
Share of losses of joint ventures		**(1,365)**	–
Profit before taxation	4	**263,486**	309,106
Income tax	5(A)	**(46,025)**	(55,528)
Profit for the year from continuing operations		**217,461**	253,578
Discontinued operations			
Profit for the year from discontinued operations	32	**1,647**	5,100
Profit for the year		**219,108**	258,678
Other comprehensive income for the year			
Item that will not be reclassified subsequently to profit or loss, net of nil tax:			
Revaluation of financial assets at fair value through other comprehensive income		**(39,684)**	96,201
Item that may be reclassified subsequently to profit or loss, net of nil tax:			
Exchange differences on translation of financial statements of operations outside Hong Kong		**(867)**	(3,676)
Other comprehensive income		**(40,551)**	92,525
Total comprehensive income for the year		**178,557**	351,203
Profit attributable to:			
Shareholders of the Company		**215,631**	250,561
Non-controlling interests		**3,477**	8,117
Total profit for the year		**219,108**	258,678
Profit attributable to shareholders of the Company arises from:			
– Continuing operations		**214,494**	246,795
– Discontinued operations		**1,137**	3,766
		215,631	250,561
Total comprehensive income attributable to:			
Shareholders of the Company		**175,080**	343,086
Non-controlling interests		**3,477**	8,117
Total comprehensive income for the year		**178,557**	351,203

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2020 (Expressed in Hong Kong dollars)

	Note	Year ended 31 March	
		2020	2019 (Notes)
		HK$'000	HK$'000 (Restated)
Total comprehensive income attributable to shareholders of the Company arises from:			
– Continuing operations		**173,943**	339,320
– Discontinued operations		**1,137**	3,766
		175,080	343,086
		HK cents	HK cents
Earnings per share attributable to shareholders of the Company:	8		
Basic and diluted			
– From continuing operations		**10.81**	12.78
– From discontinued operations		**0.06**	0.20
Earnings per share for the year		**10.87**	12.98

Notes:

(i) The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(E).

(ii) The results of wholesale and retail segment have been classified as discontinued operations of the Group for the year ended 31 March 2020. In this regard, the Group has restated the comparative information for the year ended 31 March 2019.

The notes on pages 81 to 148 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 2020 (Expressed in Hong Kong dollars)

	Note	As at 31 March 2020 HK$'000	2019 (Note) HK$'000
Non-current assets			
Investment properties	10	**358,000**	356,800
Other property, plant and equipment	10	**1,135,476**	1,103,919
Intangible assets	11	**1,310,880**	1,073,487
Interests in associates	13	**23,367**	148,752
Interests in joint ventures	14	**92,543**	–
Other non-current assets	15	**102,657**	72,333
Other financial assets	18	**376,818**	255,320
Deferred tax assets	23	**10,083**	5,976
		3,409,824	3,016,587
Current assets			
Inventories	16	**371,456**	333,831
Trade and other receivables	17	**277,954**	277,291
Current tax recoverable		**16,788**	3,043
Other financial assets	18	**7,687**	–
Cash and cash equivalents	19	**417,993**	629,842
		1,091,878	1,244,007
Assets of the disposal group classified as held for sale	32	**78,498**	–
		1,170,376	1,244,007
Current liabilities			
Trade and other payables	20	**120,158**	116,932
Bank loans	22	**538,654**	458,399
Lease liabilities	21	**47,450**	184
Convertible notes	22	**–**	466,960
Current tax payable		**10,347**	11,896
		716,609	1,054,371
Liabilities associated with the group classified as held for sale	32	**10,751**	–
		727,360	1,054,371
Net current assets		**443,016**	189,636
Total assets less current liabilities		**3,852,840**	3,206,223
Non-current liabilities			
Bank loans	22	**1,014,982**	371,247
Lease liabilities	21	**47,042**	476
Deferred tax liabilities	23	**184,723**	147,362
		1,246,747	519,085
NET ASSETS		**2,606,093**	2,687,138
CAPITAL AND RESERVES			
Share capital	24	**19,170**	20,156
Reserves	26	**2,518,570**	2,627,012
Total equity attributable to shareholders of the Company		**2,537,740**	2,647,168
Non-controlling interests		**68,353**	39,970
TOTAL EQUITY		**2,606,093**	2,687,138

Approved and authorised for issue by the board of directors on 30 June 2020.

Mr. Sum Kwong Yip, Derek
Director

Mr. Yim Chun Leung
Director

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(E).

The notes on pages 81 to 148 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020 (Expressed in Hong Kong dollars)

		Attributable to shareholders of the Company									
	Note	Share capital (Note 24) HK$'000	Share premium (Note 26(A)) HK$'000	Shares for Share Award Scheme (Note 28(A)) HK$'000	Capital reserve (Note 26(B)) HK$'000	Exchange reserve (Note 26(C)) HK$'000	Fair value reserve (non-recycling) (Note 26(D)) HK$'000	Retained earnings (Note) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2018		18,156	717,058	–	152,768	7,587	–	1,080,193	1,975,762	32,213	2,007,975
Profit for the year		–	–	–	–	–	–	250,561	250,561	8,117	258,678
Other comprehensive income		–	–	–	–	(3,676)	96,201	–	92,525	–	92,525
Total comprehensive income for the year		–	–	–	–	(3,676)	96,201	250,561	343,086	8,117	351,203
Dividends approved in respect of the previous year	9(B)	–	–	–	–	–	–	(58,453)	(58,453)	–	(58,453)
Dividends declared in respect of the current year	9(A)	–	–	–	–	–	–	(30,234)	(30,234)	–	(30,234)
Dividends paid by subsidiaries attributable to non-controlling interests		–	–	–	–	–	–	–	–	(360)	(360)
Equity-settled share-based transactions	28	–	–	–	1,729	–	–	3,620	5,349	–	5,349
Issuance of new shares	24	2,000	409,658	–	–	–	–	–	411,658	–	411,658
At 31 March 2019		20,156	1,126,716	–	154,497	3,911	96,201	1,245,687	2,647,168	39,970	2,687,138
At 1 April 2019		**20,156**	**1,126,716**	**–**	**154,497**	**3,911**	**96,201**	**1,245,687**	**2,647,168**	**39,970**	**2,687,138**
Impact of initial application of HKFRS 16	1(E)	**–**	**–**	**–**	**–**	**–**	**–**	**(1,406)**	**(1,406)**	**–**	**(1,406)**
Adjusted balance at 1 April 2019		**20,156**	**1,126,716**	**–**	**154,497**	**3,911**	**96,201**	**1,244,281**	**2,645,762**	**39,970**	**2,685,732**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**215,631**	**215,631**	**3,477**	**219,108**
Other comprehensive income		**–**	**–**	**–**	**–**	**(867)**	**(39,684)**	**–**	**(40,551)**	**–**	**(40,551)**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**(867)**	**(39,684)**	**215,631**	**175,080**	**3,477**	**178,557**
Acquisitions of subsidiaries and increase in shareholding in subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**26,162**	**26,162**
Incorporation of subsidiaries with non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4**	**4**
Dividends approved in respect of the previous year	9(B)	**–**	**–**	**–**	**–**	**–**	**–**	**(60,265)**	**(60,265)**	**–**	**(60,265)**
Dividends declared in respect of the current year	9(A)	**–**	**–**	**–**	**–**	**–**	**–**	**(39,967)**	**(39,967)**	**–**	**(39,967)**
Dividends paid by subsidiaries attributable to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,260)**	**(1,260)**
Redemption of convertible notes	22(B)	**–**	**–**	**–**	**(52,470)**	**–**	**–**	**18,986**	**(33,484)**	**–**	**(33,484)**
Equity-settled share-based transactions	28	**–**	**–**	**–**	**(5,266)**	**–**	**–**	**6,775**	**1,509**	**–**	**1,509**
Purchase of own shares	24	**(813)**	**(126,821)**	**–**	**–**	**–**	**–**	**–**	**(127,634)**	**–**	**(127,634)**
Shares held for Share Award Scheme	24	**(173)**	**–**	**(23,088)**	**–**	**–**	**–**	**–**	**(23,261)**	**–**	**(23,261)**
At 31 March 2020		**19,170**	**999,895**	**(23,088)**	**96,761**	**3,044**	**56,517**	**1,385,441**	**2,537,740**	**68,353**	**2,606,093**

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(E).

Consolidated Cash Flow Statement

For the year ended 31 March 2020 (Expressed in Hong Kong dollars)

	Note	Year ended 31 March 2020 HK$'000	2019 (Note) HK$'000
Operating activities			
Cash generated from operations	19(B)	**428,445**	431,893
Income tax paid		**(67,077)**	(36,185)
Net cash generated from operating activities		**361,368**	395,708
Investing activities			
Payment for purchase of other property, plant and equipment, intangible assets and other assets		**(84,408)**	(44,074)
Proceeds from disposals of other property, plant and equipment		**873**	7,910
Net cash outflow from acquisitions of subsidiaries under business combination	27(A)	**(108,124)**	–
Net cash outflow from acquisitions of subsidiaries under asset acquisitions		**–**	(378,370)
Advance to a director of a non-wholly owned subsidiary for the purchase of land in Cambodia		**–**	(44,165)
Interest received		**5,764**	4,745
Payment for other financial assets		**(168,869)**	(41,401)
Payment for acquisition of associates		**–**	(143,846)
Payment for investment in joint ventures		**(91,408)**	–
Decrease in amounts due from associates		**187**	12,416
Dividends received from an associate		**8,460**	–
Net cash used in investing activities		**(437,525)**	(626,785)
Financing activities			
Capital element of lease rentals paid	19(C)	**(56,873)**	(184)
Interest element of lease rentals paid	19(C)	**(2,788)**	(47)
Proceeds from bank loans	19(C)	**1,202,000**	709,016
Repayment of bank loans	19(C)	**(478,010)**	(783,242)
Other borrowing costs paid	19(C)	**(45,009)**	(41,957)
Gross proceeds from shares issued	24	**–**	412,000
Payment for share issuance expenses	24	**–**	(342)
Dividends paid		**(100,232)**	(88,687)
Dividends paid to non-controlling interests		**(1,260)**	(360)
Redemption of convertible notes	22(B)	**(500,000)**	–
Payment for shares held for Share Award Scheme		**(23,261)**	–
Payment for purchase of own shares		**(127,634)**	–
Net cash (used in)/generated from financing activities		**(133,067)**	206,197
Net decrease in cash and cash equivalents		**(209,224)**	(24,880)
Cash and cash equivalents at the beginning of the year		**629,842**	656,733
Effect of foreign exchange rate changes		**823**	(2,011)
Cash and cash equivalents at the end of the year	19(A)	**421,441**	629,842

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(E).

The notes on pages 81 to 148 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. 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 PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 March 2020 comprise the Company and its subsidiaries and the Group's interests in associates and joint ventures.

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

(C) ACCOUNTING JUDGEMENTS 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.

Judgements 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 36.

1 Significant Accounting Policies (Continued)

(D) BASIS OF MEASUREMENT

The consolidated financial statements are presented in Hong Kong dollars ("HK$") and prepared on the historical cost basis except that the following assets and liabilities are stated at their fair values as explained in the accounting policies set out below:

- investment properties (see note 1(K));
- contingent consideration receivable (see note 1(H)); and
- investments measured as financial assets at fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVPL") (see note 1(J)).

(E) CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the 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.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

1 Significant Accounting Policies (Continued)

(E) CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 16, *Leases* (Continued)

(ii) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as discussed in note 30(B). For an explanation of how the Group applies lessee accounting, see note 1(N)(i).

At the date of transition to HKFRS 16 (i.e. 1 April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 April 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 3.3%.

To ease the transition to HKFRS 16, the Group applied the practical expedient of HKFRS 16 when measuring the lease liabilities at the date of initial application, by applying a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as disclosed in note 30(B) as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	1 April 2019 HK$'000
Operating lease commitments at 31 March 2019	91,727
Less: commitments relating to leases contracted for but not yet commenced at 1 April 2019	(9,764)
Less: total future interest expenses	(2,740)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019	79,223
Add: finance lease liabilities recognised as at 31 March 2019	660
Total lease liabilities recognised at 1 April 2019	79,883

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at their carrying amount as if HKFRS 16 had been applied since the commencement dates of the leases, discounted at the Group's incremental borrowing rate at 1 April 2019. The lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate at 1 April 2019. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 April 2019 of 3.3% per annum.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. The net difference between right-of-use assets and lease liabilities of HK$1,406,000 was recognised as a decrease in the opening balance of equity.

The Group presents right-of-use assets that do not meet the definition of investment property in 'other property, plant and equipment' and presents lease liabilities separately in the consolidated statement of financial position.

1 Significant Accounting Policies (Continued)

(E) CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 16, *Leases* (Continued)

(ii) Lessee accounting and transitional impact (Continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 March 2019 HK$'000	Capitalisation of operating lease contracts HK$'000	Carrying amount at 1 April 2019 HK$'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Other property, plant and equipment	**1,103,919**	77,817	1,181,736
Total non-current assets	**3,016,587**	77,817	3,094,404
Lease liabilities (current)	**184**	43,392	43,576
Current liabilities	**1,054,371**	43,392	1,097,763
Net current assets	**189,636**	(43,392)	146,244
Total assets less current liabilities	**3,206,223**	34,425	3,240,648
Lease liabilities (non-current)	**476**	35,831	36,307
Total non-current liabilities	**519,085**	35,831	554,916
Net assets	**2,687,138**	(1,406)	2,685,732

(iii) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 19(C)). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17.

1 Significant Accounting Policies (Continued)

(E) CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 16, *Leases* (Continued)

(iii) Impact on the financial result, segment results and cash flows of the Group (Continued)

Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated cash flow statement (see note 19(D)).

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the year ended 31 March 2020, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2020 instead of HKFRS 16, and by comparing these hypothetical amounts for 2020 with the actual 2019 corresponding amounts which were prepared under HKAS 17.

	2020				2019
	Amounts reported under HKFRS 16 (A) HK$'000	**Add back: HKFRS 16 Depreciation (excluding leasehold land) and interest expense (B) HK$'000**	**Deduct: Estimated amounts related to operating leases (excluding leasehold land) as if under HKAS 17 (Note 1) (C) HK$'000**	**Hypothetical amounts for 2020 as if under HKAS 17 (D=A+B-C) HK$'000**	Compared to amounts reported for 2019 under HKAS 17 HK$'000 (Restated)
Financial result for the year ended 31 March 2020 impacted by the adoption of HKFRS 16:					
Continuing operations					
Profit from operations	**318,217**	**52,604**	**(54,517)**	**316,304**	370,585
Finance costs	**(55,359)**	**2,571**	**–**	**(52,788)**	(66,198)
Profit before taxation	**263,486**	**55,175**	**(54,517)**	**264,144**	309,106
Profit for the year from discontinued operations	**1,647**	**4,538**	**(4,484)**	**1,701**	5,100
Profit for the year	**219,108**	**59,713**	**(59,001)**	**219,820**	258,678
Reportable segment profit (adjusted EBITDA) for the year ended 31 March 2020 (note 2(B)(i)) impacted by the adoption of HKFRS 16:					
Continuing operations					
– Generic drugs	**384,775**	**–**	**(48,278)**	**336,497**	376,710
– Proprietary medicines	**92,000**	**–**	**(6,239)**	**85,761**	81,865
	476,775	**–**	**(54,517)**	**422,258**	458,575
Discontinued operations	**6,771**	**–**	**(4,484)**	**2,287**	5,812
– Total	**483,546**	**–**	**(59,001)**	**424,545**	464,387

1 Significant Accounting Policies (Continued)

(E) CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 16, *Leases* (Continued)

(iii) Impact on the financial result, segment results and cash flows of the Group (Continued)

	2020			2019
	Amounts reported under HKFRS 16 (A) HK$'000	Estimated amounts related to operating leases as if under HKAS 17 (Notes 1 & 2) (B) HK$'000	Hypothetical amounts for 2020 as if under HKAS 17 (C=A+B) HK$'000	Compared to amounts reported for 2019 under HKAS 17 HK$'000
Line items in the consolidated cash flow statement for the year ended 31 March 2020 impacted by the adoption of HKFRS 16:				
Cash generated from operations	428,445	(59,001)	369,444	431,893
Net cash generated from operating activities	361,368	(59,001)	302,367	395,708
Capital element of lease rentals paid	(56,873)	56,213	(660)	(184)
Interest element of lease rentals paid	(2,788)	2,788	–	(47)
Net cash (used in)/generated from financing activities	(133,067)	59,001	(74,066)	206,197

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2020 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2020. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2020 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2020. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash generated from financing activities as if HKAS 17 still applied.

(iv) Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40, *Investment properties*, to account for all of its leasehold properties that were held for investment purposes as at 31 March 2019. Consequentially, these leasehold investment properties continue to be carried at fair value.

(v) Lessor accounting

The Group leases out the investment property as mentioned in note 1(E)(iv) above. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

1 Significant Accounting Policies (Continued)

(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(S) or 1(T) depending on the nature of the liability.

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 a joint venture (see note 1(G)).

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

1 Significant Accounting Policies (Continued)

(G) ASSOCIATES AND JOINT VENTURES

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale (see note 1(BB))). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(I) and 1(O)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the expected credit loss ("ECL") model to such other long-term interests where applicable (see note 1(O)(i))).

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (see note 1(O)(ii)), unless classified as held for sale (or included in a disposal group that is classified as held for sale (see note 1(BB))).

(H) BUSINESS COMBINATIONS

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see note 1(F)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see note 1(O)(ii)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities (see note 1(J)).

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

1 Significant Accounting Policies (Continued)

(I) 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. 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(O)(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.

(J) OTHER INVESTMENTS IN DEBT AND EQUITY SECURITIES

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 29(E). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investment other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(Y)(iii)).

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(Y)(iv).

1 Significant Accounting Policies (Continued)

(K) INVESTMENT PROPERTIES

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(N)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(Y)(v).

(L) OTHER PROPERTY, PLANT AND EQUIPMENT

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

- Freehold land is not depreciated.
- Leasehold land and buildings are depreciated over the unexpired term of lease.
- 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	5–20 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

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.

1 Significant Accounting Policies (Continued)

(M) 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(O)(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 club memberships. 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(O)(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(AA)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(O)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

1 Significant Accounting Policies (Continued)

(N) LEASED ASSETS

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

(A) Policy applicable from 1 April 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically office furniture. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(L) and 1(O)(ii)), except for right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 1(K).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in "other property, plant and equipment" and presents lease liabilities separately in the consolidated statement of financial position.

1 Significant Accounting Policies (Continued)

(N) LEASED ASSETS (Continued)

(i) As a lessee (Continued)

(B) Policy applicable prior to 1 April 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

Where the Group acquired 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 were included in the property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset, as set out in note 1(L). Impairment losses were accounted for in accordance with the accounting policy as set out in note 1(O)(ii). Finance charges implicit in the lease payments were 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 were charged to profit or loss in the accounting period in which they were incurred.

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

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(Y)(v).

1 Significant Accounting Policies (Continued)

(O) CREDIT LOSSES AND IMPAIRMENT OF ASSETS

(i) Credit losses from financial instruments

The Group recognises a loss allowance for ECLs on the financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

Financial assets measured at fair value is not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

1 Significant Accounting Policies (Continued)

(O) CREDIT LOSSES AND IMPAIRMENT OF ASSETS (Continued)

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 1(Y)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

1 Significant Accounting Policies (Continued)

(O) CREDIT LOSSES AND IMPAIRMENT OF ASSETS (Continued)

(i) Credit losses from financial instruments (Continued)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current 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 in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- other property, plant and equipment, including right-of-use assets;
- intangible assets;
- goodwill;
- investments in subsidiaries in the Company's statement of financial position; and
- interests in associates and joint ventures.

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 costs 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).

– ***Reversals of impairment losses***

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable 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.

1 Significant Accounting Policies (Continued)

(O) CREDIT LOSSES AND IMPAIRMENT OF ASSETS (Continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, 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(O)(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.

(P) 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.

(Q) TRADE AND OTHER RECEIVABLES

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(O)(i)).

(R) CONVERTIBLE NOTES

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured at fair value based on the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. The equity component is initially recognised at the difference between the fair value of the convertible notes as a whole and the fair value of the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed. If the note is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to retained profits.

1 Significant Accounting Policies (Continued)

(S) 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 using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(AA)).

(T) TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

(i) 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.

(ii) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 1(Y)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(Q)).

(U) 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. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 1(O)(i).

(V) 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.

1 Significant Accounting Policies (Continued)

(V) EMPLOYEE BENEFITS (Continued)

(ii) Share-based payment arrangements (Continued)

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(W) 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.

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.

1 Significant Accounting Policies (Continued)

(W) INCOME TAX (Continued)

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(K), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, 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.

(X) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised 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.

(Y) REVENUE AND OTHER INCOME

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

1 Significant Accounting Policies (Continued)

(Y) REVENUE AND OTHER INCOME (Continued)

(i) Sale of goods

Revenue is recognised in profit or loss when the customer takes possession of and accepts the products. 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 as it accrues under the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(O)(i)).

(iv) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(v) Rental income from leases

Rental income receivable under leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(vi) Subcontracting income

Subcontracting income is recognised when the subcontracting service is rendered.

(Z) 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.

1 Significant Accounting Policies (Continued)

(AA) 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.

(BB) NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

(i) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

- the post-tax profit or loss of the discontinued operation; and

- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

1 Significant Accounting Policies (Continued)

(CC) 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.

(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.

(DD) 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. All the revenue for the years ended 31 March 2020 and 2019 was recognised in accordance with HKFRS 15, *Revenue from contracts with customers*. The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts and does not disclose information about remaining performance obligations that have original expected duration of one year or less.

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

(B) SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three 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.

– Wholesale and retail: this segment sells western and proprietary medicine 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 share of profits less losses of associates, share of losses of joint ventures and non-recurring items not attributable to the operations of individual segments.

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

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

As discussed in note 32, the Group no longer carries on the business of wholesale and retail segment. The results of this segment have been classified as discontinued operations of the Group for the years ended 31 March 2020 and 2019.

2 Revenue and Segment Reporting (Continued)

(B) SEGMENT REPORTING (Continued)

(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.

	Continuing operations						Discontinued operations			
	Generic drugs		Proprietary medicines		Subtotal		Wholesale and retail		Total	
	Year ended 31 March		Year ended 31 March		Year ended 31 March		Year ended 31 March		Year ended 31 March	
	2020 HK$'000	2019 (Note) HK$'000	2020 HK$'000	2019 (Note) HK$'000	2020 HK$'000	2019 (Note) HK$'000 (Restated)	2020 HK$'000	2019 (Note) HK$'000 (Restated)	2020 HK$'000	2019 (Note) HK$'000 (Restated)
Revenue from external customers	**1,298,698**	1,253,022	**272,761**	225,103	**1,571,459**	1,478,125	**186,220**	226,516	**1,757,679**	1,704,641
Inter-segment revenue	**1,660**	3,404	**4,910**	2,154	**6,570**	5,558	**–**	–	**6,570**	5,558
Reportable segment revenue	**1,300,358**	1,256,426	**277,671**	227,257	**1,578,029**	1,483,683	**186,220**	226,516	**1,764,249**	1,710,199
Reportable segment profit (adjusted EBITDA)	**384,775**	376,710	**92,000**	81,865	**476,775**	458,575	**6,771**	5,812	**483,546**	464,387

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

	Continuing operations		Discontinued operations	
	Year ended 31 March		Year ended 31 March	
	2020 HK$'000	2019 HK$'000 (Restated)	2020 HK$'000	2019 HK$'000 (Restated)
Generic drugs	**1,298,698**	1,253,022	**–**	–
Proprietary medicines	**272,761**	225,103	**–**	–
Wholesale and retail	**–**	–	**186,220**	226,516
Total	**1,571,459**	1,478,125	**186,220**	226,516

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(E).

2 Revenue and Segment Reporting (Continued)

(B) SEGMENT REPORTING (Continued)

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

	Continuing operations		Discontinued operations	
	Year ended 31 March		Year ended 31 March	
	2020	2019 (Note)	**2020**	2019 (Note)
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Revenue				
Reportable segment revenue	**1,578,029**	1,483,683	**186,220**	226,516
Elimination of inter-segment revenue	**(6,570)**	(5,558)	**–**	–
Consolidated revenue	**1,571,459**	1,478,125	**186,220**	226,516
Profit				
Reportable segment profit	**476,775**	458,575	**6,771**	5,812
Elimination of inter-segment profit	**(529)**	(376)	**–**	–
Reportable segment profit derived from Group's external customers	**476,246**	458,199	**6,771**	5,812
Interest income from bank deposits and the investments	**5,730**	4,744	**34**	1
Depreciation and amortisation	**(166,271)**	(115,732)	**(4,504)**	(184)
Finance costs	**(55,359)**	(66,198)	**(217)**	–
Fair value gain on investment properties	**1,200**	23,374	**–**	–
Fair value gain on contingent consideration receivable	**–**	–	**–**	353
Share of profits less losses of associates	**1,993**	4,719	**–**	–
Share of losses of joint ventures	**(1,365)**	–	**–**	–
Gain on redemption of convertible notes	**8,223**	–	**–**	–
Spin-off listing expense	**(6,911)**	–	**–**	–
Consolidated profit before taxation	**263,486**	309,106	**2,084**	5,982

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(E).

2 Revenue and Segment Reporting (Continued)

(B) SEGMENT REPORTING (Continued)

(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.

	Continuing operations		Discontinued operations	
	Year ended 31 March		Year ended 31 March	
	2020 HK$'000	2019 HK$'000 (Restated)	**2020 HK$'000**	2019 HK$'000 (Restated)
Revenue from external customers				
Hong Kong (place of domicile)	**1,445,181**	1,371,996	**186,220**	226,516
Mainland China	**34,423**	35,927	**–**	–
Macau	**57,021**	39,853	**–**	–
Singapore	**12,388**	9,932	**–**	–
Others	**22,446**	20,417	**–**	–
	1,571,459	1,478,125	**186,220**	226,516

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

	As at 31 March	
	2020 **HK$'000**	2019 (Note) HK$'000
Specified non-current assets		
Hong Kong (place of domicile)	**2,922,393**	2,657,643
Mainland China	**42,486**	44,936
Macau	**50**	86
Taiwan	**5,429**	6,447
Cambodia	**52,565**	46,179
	3,022,923	2,755,291

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(E).

(iv) Information about major customers

For the year ended 31 March 2020, the Group's customer base includes one (2019: 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$481,176,000 (2019: HK$407,835,000).

3 Other Net Income

	Continuing operations		Discontinued operations	
	Year ended 31 March		Year ended 31 March	
	2020	2019	**2020**	2019
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Commission income	**1,346**	1,366	**–**	–
Interest income from bank deposits and the investments	**5,730**	4,744	**34**	1
Net foreign exchange gain/(loss)	**249**	(1,647)	**–**	–
Net (loss)/gain on disposals of other property, plant and equipment	**(356)**	5,049	**–**	–
Fair value gain on investment properties	**1,200**	23,374	**–**	–
Fair value gain on contingent consideration receivable	**–**	–	**–**	353
Gain on redemption of convertible notes	**8,223**	–	**–**	–
Rental income	**6,089**	2,309	**–**	–
Subcontracting income	**4,848**	–	**–**	–
Others	**2,762**	1,869	**56**	71
	30,091	37,064	**90**	425

4 Profit Before Taxation

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

	Continuing operations		Discontinued operations	
	Year ended 31 March		Year ended 31 March	
	2020	2019 (Note)	**2020**	2019 (Note)
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
(A) FINANCE COSTS				
Interest on bank loans and other borrowings (note 19(C))	**52,788**	66,151	**–**	–
Interest on lease liabilities (note 19(C))	**2,571**	47	**217**	–
	55,359	66,198	**217**	–

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(E).

4 Profit Before Taxation (Continued)

	Continuing operations Year ended 31 March		Discontinued operations Year ended 31 March	
	2020 HK$'000	2019 HK$'000 (Restated)	**2020 HK$'000**	2019 HK$'000 (Restated)
(B) STAFF COSTS				
Salaries, wages and other benefits	**433,952**	394,857	**4,004**	4,633
Contributions to defined contribution retirement schemes	**18,997**	17,977	**193**	198
Equity-settled share-based payment expenses (note 28)	**1,509**	5,349	**–**	–
	454,458	418,183	**4,197**	4,831

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 People's Republic of China ("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 16% (before 1 May 2019: 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.

	Continuing operations Year ended 31 March		Discontinued operations Year ended 31 March	
	2020 HK$'000	2019 HK$'000 (Restated)	**2020 HK$'000**	2019 HK$'000 (Restated)
(C) OTHER ITEMS				
Depreciation (note 10)				
– owned property, plant and equipment*	**86,010**	86,374	**183**	184
– right-of-use assets*	**54,221**	1,829	**4,321**	–
	140,231	88,203	**4,504**	184
Amortisation cost of intangible assets (note 11)	**26,040**	27,529	**–**	–
Impairment losses on trade receivables (note 29(A))	**2,600**	–	**–**	–
Auditors' remuneration				
– audit services	**5,576**	5,569	**83**	100
– other services	**3,816**	2,756	**–**	–
Research and development costs (other than amortisation of capitalised development costs)	**3,734**	2,537	**–**	–
Rentals received from investment properties less direct outgoings of HK$782,000 (2019: HK$337,000)	**(5,307)**	(1,972)	**–**	–
Cost of inventories# (note 16(B))	**881,481**	803,474	**174,740**	211,279
Spin-off listing expense	**6,911**	–	**–**	–

4 Profit Before Taxation (Continued)

* The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17 and to reclassify leasehold land to right-of-use assets which are included in other property, plant and equipment. The depreciated carrying amount of the finance lease assets which were previously included in other property, plant and equipment is also classified as right-of-use assets. After initial recognition of right-of-use assets at 1 April 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(E).

Cost of inventories includes HK$372,328,000 for the year ended 31 March 2020 (2019: HK$365,693,000), relating to staff costs, depreciation and amortisation expenses and lease expenses, 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:

	Continuing operations		Discontinued operations	
	Year ended 31 March		Year ended 31 March	
	2020	2019	**2020**	2019
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Current tax				
Provision for the year	**49,136**	53,512	**343**	879
(Over)/under-provision in respect of prior years	**(286)**	(161)	**94**	3
	48,850	53,351	**437**	882
Deferred tax				
Origination and reversal of temporary differences (note 23(A))	**(2,825)**	2,177	**–**	–
	46,025	55,528	**437**	882

5 Income Tax (Continued)

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

	Continuing operations		Discontinued operations	
	Year ended 31 March		Year ended 31 March	
	2020	2019	**2020**	2019
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Profit before taxation	**263,486**	309,106	**2,084**	5,982
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdiction concerned	**43,086**	50,423	**344**	987
Effect of non-deductible expenses	**10,460**	11,279	**–**	–
Effect of non-taxable income	**(3,268)**	(7,160)	**(1)**	(108)
Effect of tax concessions obtained	**(165)**	(480)	**–**	–
Effect of temporary differences not recognised	**(3,802)**	1,627	**–**	–
(Over)/under-provision in prior years	**(286)**	(161)	**94**	3
Actual tax expense	**46,025**	55,528	**437**	882

Notes:

(i) The provision for Hong Kong Profits Tax for the year is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year.

(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 2020						
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Subtotal HK$'000	Share-based payment (Note) HK$'000	Total HK$'000
Executive directors							
Mr. Sum Kwong Yip, Derek	1,200	3,547	–	211	4,958	–	4,958
Mr. Yim Chun Leung	2,640	–	220	143	3,003	572	3,575
Ms. Pun Yue Wai	1,185	–	80	–	1,265	191	1,456
Non-executive director							
Professor Lam Sing Kwong, Simon	220	–	–	–	220	–	220
Independent non-executive directors							
Dr. Lam Kwing Tong, Alan	220	–	–	–	220	–	220
Professor Wong Chi Kei, Ian	220	–	–	–	220	–	220
Mr. Young Chun Man, Kenneth	220	–	–	–	220	–	220
	5,905	3,547	300	354	10,106	763	10,869

6 Directors' Emoluments (Continued)

	Year ended 31 March 2019						
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Subtotal HK$'000	Share-based payment (Note) HK$'000	Total HK$'000
Executive directors							
Mr. Sum Kwong Yip, Derek	1,200	3,534	–	217	4,951	–	4,951
Mr. Yim Chun Leung	2,397	–	200	130	2,727	2,018	4,745
Ms. Pun Yue Wai	1,154	–	–	–	1,154	673	1,827
Non-executive director							
Professor Lam Sing Kwong, Simon	211	–	–	–	211	–	211
Independent non-executive directors							
Dr. Lam Kwing Tong, Alan	211	–	–	–	211	–	211
Professor Wong Chi Kei, Ian	211	–	–	–	211	–	211
Mr. Young Chun Man, Kenneth	211	–	–	–	211	–	211
	5,595	3,534	200	347	9,676	2,691	12,367

Note: These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(V)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "SHARE OPTION SCHEME" in the Report of the Directors and note 28(B).

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

	Date of appointment	Date of resignation
Executive directors		
Mr. Sum Kwong Yip, Derek	16 February 2016	–
Mr. Yim Chun Leung	1 April 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	–
Mr. Young Chun Man, Kenneth	30 August 2016	–
Professor Wong Chi Kei, Ian	1 December 2017	–

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. There was no arrangement under which a director has waived or agreed to waive any remuneration during the year ended 31 March 2020 (2019: nil).

7 Individuals with Highest Emoluments

Of the five individuals with the highest emoluments, 2 are directors for the year ended 31 March 2020 (2019: 2) 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	
	2020	2019
	HK$'000	HK$'000
Salaries and other emoluments	**6,500**	6,820
Discretionary bonuses	**1,983**	1,150
Retirement scheme contributions	**50**	54
	8,533	8,024

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

	Year ended 31 March	
	2020	2019
	Number of individuals	Number of individuals
HK$2,000,001 – HK$2,500,000	**–**	1
HK$2,500,001 – HK$3,000,000	**2**	1
HK$3,000,001 – HK$3,500,000	**1**	1

8 Earnings Per Share

(A) BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of HK$215,631,000 for the year ended 31 March 2020 (2019: HK$250,561,000) and the weighted average ordinary shares in issue calculated as follows:

Weighted average number of ordinary shares:

	Year ended 31 March	
	2020	2019
	'000	'000
Shares of the Company issued at the beginning of the year	**2,015,625**	1,815,625
Effect of shares issued (note 24)	**–**	115,068
Effect of shares repurchased (note 24)	**(22,856)**	–
Effect of shares held for Share Award Scheme (note 28(A))	**(9,748)**	–
Weighted average number of ordinary shares in issue during the year	**1,983,021**	1,930,693

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
		(Restated)
Profit attributable to equity shareholders of the Company arises from:		
– Continuing operations	**214,494**	246,795
– Discontinued operations	**1,137**	3,766
	215,631	250,561

8 Earnings Per Share (Continued)

(B) DILUTED EARNINGS PER SHARE

Diluted earnings per share equals basic earnings per share for the years ended 31 March 2020 and 2019 because the dilutive potential ordinary shares outstanding were anti-dilutive.

9 Dividends

(A) DIVIDENDS PAYABLE TO SHAREHOLDERS ATTRIBUTABLE TO THE YEAR

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Interim dividend declared and paid of HK2.0 cents per share (2019: HK1.5 cents per share)	**39,967**	30,234
Final dividend proposed after the end of the reporting period of HK2.5 cents per share (2019: HK3.0 cents per share)	**48,356**	60,469
	88,323	90,703

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.

(B) DIVIDENDS PAYABLE TO SHAREHOLDERS ATTRIBUTABLE TO THE PREVIOUS FINANCIAL YEAR, APPROVED AND PAID DURING THE YEAR

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year of HK3.0 cents per share (2019: HK2.9 cents per share)	**60,469**	58,453
Less: Dividend of shares held by Share Award Scheme	**(204)**	–
	60,265	58,453

10 Investment Properties and Other Property, Plant and Equipment

(A) RECONCILIATION OF CARRYING AMOUNT

	Land HK$'000	Buildings HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Sub-total HK$'000	Investment properties HK$'000	Total HK$'000
Cost:									
At 1 April 2018	63,090	319,666	434,826	493,948	10,549	34,685	1,356,764	91,000	1,447,764
Additions	–	–	16,260	10,504	466	1,575	28,805	–	28,805
Acquisition of a subsidiary	–	75,600	–	–	–	–	75,600	304,426	380,026
Transfer from investment properties to buildings	–	62,000	–	–	–	–	62,000	(62,000)	–
Disposals	(725)	(725)	(5,506)	(4,240)	(3,075)	(8,171)	(22,442)	–	(22,442)
Fair value adjustment	–	–	–	–	–	–	–	23,374	23,374
Exchange difference	(885)	(1,256)	(3,603)	(113)	(43)	(672)	(6,572)	–	(6,572)
At 31 March 2019	61,480	455,285	441,977	500,099	7,897	27,417	1,494,155	356,800	1,850,955
Accumulated depreciation:									
At 1 April 2018	15,049	42,812	147,178	111,504	5,279	4,631	326,453	–	326,453
Charge for the year	1,645	14,133	37,322	29,122	1,709	4,456	88,387	–	88,387
Written back on disposals	(306)	(725)	(4,094)	(3,676)	(2,609)	(8,171)	(19,581)	–	(19,581)
Exchange difference	(354)	(624)	(3,256)	(96)	(27)	(666)	(5,023)	–	(5,023)
At 31 March 2019	16,034	55,596	177,150	136,854	4,352	250	390,236	–	390,236
Net book value:									
At 31 March 2019	45,446	399,689	264,827	363,245	3,545	27,167	1,103,919	356,800	1,460,719

10 Investment Properties and Other Property, Plant and Equipment (Continued)

(A) RECONCILIATION OF CARRYING AMOUNT (Continued)

	Land HK$'000	Buildings HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Sub-total HK$'000	Investment properties HK$'000	Total HK$'000
Cost:									
At 31 March 2019	61,480	455,285	441,977	500,099	7,897	27,417	1,494,155	356,800	1,850,955
Impact of initial application of HKFRS 16 (Note)	-	77,817	-	-	-	-	77,817	-	77,817
At 1 April 2019	61,480	533,102	441,977	500,099	7,897	27,417	1,571,972	356,800	1,928,772
Additions	5,532	74,089	14,854	3,338	526	4,718	103,057	-	103,057
Acquisition of subsidiaries under business combination (note 27(A))	-	2,116	836	92	-	204	3,248	-	3,248
Disposals	-	-	(8,980)	(4,022)	(270)	(2,715)	(15,987)	-	(15,987)
Transfer to a disposal group classified for held for sale	-	(8,944)	-	(892)	-	-	(9,836)	-	(9,836)
Fair value adjustment	-	-	-	-	-	-	-	1,200	1,200
Exchange difference	(933)	(1,320)	(4,434)	(124)	(45)	(709)	(7,565)	-	(7,565)
At 31 March 2020	66,079	599,043	444,253	498,491	8,108	28,915	1,644,889	358,000	2,002,889
Accumulated depreciation:									
At 31 March 2019 and 1 April 2019	16,034	55,596	177,150	136,854	4,352	250	390,236	-	390,236
Charge for the year	1,617	73,483	36,209	26,915	1,642	4,869	144,735	-	144,735
Written back on disposals	-	-	(8,594)	(3,349)	(270)	(2,545)	(14,758)	-	(14,758)
Transfer to a disposal group classified for held for sale	-	(4,321)	-	(446)	-	-	(4,767)	-	(4,767)
Exchange difference	(397)	(686)	(4,107)	(102)	(33)	(708)	(6,033)	-	(6,033)
At 31 March 2020	17,254	124,072	200,658	159,872	5,691	1,866	509,413	-	509,413
Net book value:									
At 31 March 2020	48,825	474,971	243,595	338,619	2,417	27,049	1,135,476	358,000	1,493,476

Note: The Group has initially applied HKFRS 16 using modified retrospective method and adjusted opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The Group reclassified "leasehold land" to right-of-use assets which were included in "other property, plant and equipment". See note 1(E).

10 Investment Properties and Other Property, Plant and Equipment (Continued)

(A) RECONCILIATION OF CARRYING AMOUNT (Continued)

At 31 March 2020 and 2019, certain leasehold land and buildings were pledged against bank loans granted to the Group as disclosed in note 22(A)(i).

The Group leased certain office equipment under finance leases expiring from 1 to 5 years. During the year ended 31 March 2019, the Group entered into finance leases contracts in respect of certain office equipment with capital value at the inception of the contracts HK$921,000. They are classified as right-of-use assets as at 1 April 2019.

(B) FAIR VALUE MEASUREMENT

Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the Reporting Period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

The fair value measurements as at 31 March 2020 and 2019 were categorised into Level 3.

During the year ended 31 March 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2019: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the Reporting Period in which they occur.

The valuations of investment properties at fair value as at 31 March 2020 and 2019 were performed by the Group's independent valuer, Colliers International (Hong Kong) Limited, who have among their staff fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, using the market comparison method. The Group's management has reviewed the valuation results performed by the independent valuer for financial reporting purposes by verifying all major inputs and assumptions, and assessing the reasonableness of property valuation. Such valuation is performed at each interim and annual reporting date and is reviewed and approved by senior management.

The unobservable input used for the Level 3 fair value measurements:

	As at 31 March	
	2020	2019
(Discount)/premium on quality of the buildings	**(10%)-5%**	0%-5%

The fair value of investment properties is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's buildings compared to the recent sales. Higher premium for higher quality buildings will result in a higher fair value measurement.

The movements during the year in the balance of these Level 3 fair value measurements are disclosed in note 10(A). Fair value adjustment of investment properties is recognised in the line item "other net income" in the consolidated statement of profit or loss and other comprehensive income.

10 Investment Properties and Other Property, Plant and Equipment (Continued)

(C) RIGHT-OF-USE ASSETS

The analysis of the net book value of right-of-use assets by class of underlying assets is as follows:

		As at	
	Note	**31 March 2020 HK$'000**	1 April 2019 HK$'000
Ownership interests in leasehold land with remaining lease term of	(ii)		
– Between 10 and 50 years		**26,969**	28,523
– 50 years or more		**16,324**	16,923
		43,293	45,446
Buildings leased for own use, carried at depreciated cost	(iii)	**92,474**	77,817
Office equipment leased for own use, carried at depreciated cost		**–**	629
		135,767	123,892

The analysis of expense items in relation to lease recognised in the consolidated statement of profit or loss and other comprehensive income is as follows:

	Continuing operations Year ended 31 March		Discontinued operations Year ended 31 March	
	2020 HK$'000	2019 HK$'000 (Restated)	**2020 HK$'000**	2019 HK$'000 (Restated)
Depreciation charge of right-of-use assets by class of underlying asset:				
– Ownership interests in leasehold land	**1,617**	1,645	**–**	–
– Buildings leased for own use	**52,604**	–	**4,321**	–
– Office equipment leased for own use	**–**	184	**–**	–
	54,221	1,829	**4,321**	–
Interest on lease liabilities (note 4(A))	**2,571**	47	**217**	–

Notes:

(i) The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 April 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(E).

Additions to right-of-use assets were HK$74,089,000 during the year ended 31 March 2020, which primarily related to the capitalised lease payments payable under new tenancy agreements. Additions to right-of-use assets arising from the step acquisition of subsidiaries were HK$2,116,000 during the year ended 31 March 2020.

Details of total cash flows for leases and the maturity analysis of lease liabilities are set out in notes 19(D) and 21 respectively.

(ii) Ownership interests in leasehold land held for own use

The Group holds several pieces of leasehold land where its manufacturing facilities are primarily located. The Group is the registered owner of the land. Lump sum payments were made upfront to acquire these land interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

(iii) Buildings leased for own use

The Group has obtained the right to use other properties as its offices and warehouses through tenancy agreements. The leases typically run for an initial period of 1 to 3 years.

11 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 2018	390,816	1,220	263,478	216,856	271,332	23,914	37,960	1,205,576
Additions	–	–	–	3,395	–	9,367	1,114	13,876
At 31 March 2019	390,816	1,220	263,478	220,251	271,332	33,281	39,074	1,219,452
Accumulated amortisation:								
At 1 April 2018	–	–	–	42,917	65,246	32	10,241	118,436
Charge for the year	–	–	–	7,516	15,385	63	4,565	27,529
At 31 March 2019	–	–	–	50,433	80,631	95	14,806	145,965
Net book value:								
At 31 March 2019	390,816	1,220	263,478	169,818	190,701	33,186	24,268	1,073,487

	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 2019	**390,816**	**1,220**	**263,478**	**220,251**	**271,332**	**33,281**	**39,074**	**1,219,452**
Additions	**–**	**7,800**	**–**	**1,047**	**–**	**15,959**	**325**	**25,131**
Acquisition of subsidiaries under business combination	**56,891**	**–**	**106,454**	**–**	**110,643**	**–**	**–**	**273,988**
Transfer to a disposal group classified as held for sale	**(35,686)**	**–**	**–**	**–**	**–**	**–**	**–**	**(35,686)**
At 31 March 2020	**412,021**	**9,020**	**369,932**	**221,298**	**381,975**	**49,240**	**39,399**	**1,482,885**
Accumulated amortisation:								
At 1 April 2019	**–**	**–**	**–**	**50,433**	**80,631**	**95**	**14,806**	**145,965**
Charge for the year	**–**	**–**	**–**	**5,560**	**15,969**	**258**	**4,253**	**26,040**
At 31 March 2020	**–**	**–**	**–**	**55,993**	**96,600**	**353**	**19,059**	**172,005**
Net book value:								
At 31 March 2020	**412,021**	**9,020**	**369,932**	**165,305**	**285,375**	**48,887**	**20,340**	**1,310,880**

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 2020 and 2019.

11 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	
	2020	2019
	HK$'000	HK$'000
Goodwill		
Generic drugs	**151,481**	150,781
Proprietary medicines	**260,540**	240,035
	412,021	390,816
Trademarks		
Generic drugs	**2,808**	2,808
Proprietary medicines	**367,124**	260,670
	369,932	263,478

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	
	2020	2019
Gross margin	**9%-72%**	8%-69%
Growth rate	**3%**	3%
Discount rate	**12%-15%**	13%-16%

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.

Capitalised development costs of HK$42,449,000 (2019: HK$32,334,000) are not yet available for use as at the end of Reporting Period. 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 growth rate of 3% (2019: 3%) which does not exceed the long-term average growth rate for the industry in which the CGU operates. Discount rates of 15% (2019: 15%) and gross profit margin of 35% (2019: 35%) have been adopted for the calculations of the recoverable amounts as at the end of Reporting Period.

The memberships represent club memberships. 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.

12 Investment in Subsidiaries

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	PRC	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
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
Hong Ning Hong Limited	Hong Kong	1,000,000 ordinary shares	–	70%	Trading of medicines and drugs
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
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
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

12 Investment in Subsidiaries (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
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
Medipharma Limited	Hong Kong	47,340 ordinary shares	–	100%	Manufacturing and sales of pharmaceutical products
Melborn Limited	Hong Kong	5,000,000 ordinary shares	–	100%	Properties holding
Melborn Property Limited	Hong Kong	2 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
Orizen Capital Limited (note (ii))	British Virgin Island	100 ordinary shares	–	88%	Trading, wholesales and retailing of Chinese medicines
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
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

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 further acquired 43% of equity interest in its associates at a consideration of HK$113,384,000 in August 2019. This acquisition was classified as a business combination.

13 Interests in Associates

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Share of net assets, including goodwill on acquisition	**23,367**	148,565
Amounts due from associates	**–**	187
	23,367	148,752

All of the associates are accounted for using the equity method in the consolidated financial statements.

All of the amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. The directors regard this amount as a non-current asset as they do not intend to request repayment of these amounts within twelve months of the end of the Reporting Period.

The Group acquired 45% equity interest in Orizen Capital Limited ("Orizen") and its subsidiary (together as the "Orizen Group") at a consideration of HK$118,560,000 during the year ended 31 March 2019. The Group further acquired 43% equity interest in the Orizen Group at a consideration of HK$113,384,000 during the year ended 31 March 2020. The associates became 88% owned subsidiaries of the Group (see note 27(A)).

Financial information of Orizen Group was disclosed as below:

	2020
	HK$'000
From 1 April 2019 to 6 August 2019 (date of step acquisition)	
Revenue	**36,349**
Profit and total comprehensive income	**7,690**

	2019
	HK$'000
From 11 July 2018 (date of acquisition) to 31 March 2019	
Revenue	85,064
Profit and total comprehensive income	11,277
Reconciliation to the Group's interests in associates as at 31 March 2019	
Gross amounts of net assets of the associate	196,893
Group's effective interest	45%
Group's share of net assets of the associate	88,602
Goodwill	35,129
Carrying amount in the consolidated financial statements	123,731

Aggregate information of associates that are not individually material:

	2020	2019
	HK$'000	HK$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**23,367**	24,834
Aggregate amounts of the Group's share of those associates:		
Loss and total comprehensive income	**(1,467)**	(356)

14 Interests in Joint Ventures

	2020 HK$'000
Share of net assets, including goodwill on acquisition	90,143
Amount due from a joint venture	2,400
	92,543

All of the joint ventures are accounted for using the equity method in the consolidated financial statements.

The amount due from a joint venture is unsecured, interest-free and has no fixed terms of repayment. The directors regard this amount as a non-current asset as they do not intend to request repayment of this amount within twelve months of the end of the Reporting Period.

The following list contains only the particulars of a material joint venture as at 31 March 2020, which is accounted for using the equity method in the consolidated financial statements:

				Proportion of ownership interest			
Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issue and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Great Global Inc.	Incorporated	British Virgin Islands	2,000 ordinary shares	50%	–	50%	Manufacturing and sales of pharmaceutical products

Summarised financial information of a material joint venture, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2020 HK$'000
Gross amounts of the joint venture's at the end of the year	
Current assets	64,327
Non-current assets	194,201
Current liabilities	(7,267)
Non-current liabilities	(75,976)
Equity	(175,285)
From 9 October 2019 (date of acquisition) to end of the year	
Revenue	12,127
Loss and total comprehensive income	(2,730)
Reconciliation to the Group's interests in joint ventures at the end of the year	
Gross amounts of net assets of the joint venture	175,285
Group's effective interest	50%
Group's share of net assets of the joint venture	87,643
Amount due from a joint venture	2,400
Carrying amount in the consolidated financial statements	90,043

Information of the joint venture that is not material:

	2020 HK$'000
Carrying amount of the immaterial joint venture in the consolidated financial statements	2,500

15 Other Non-Current Assets

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Prepayments for purchase of non-current assets	**61,922**	28,168
Advance (Note)	**40,735**	44,165
	102,657	72,333

Note: The amount represents advance to a director of a non-wholly owned subsidiary for the purchase of land in Cambodia for the purpose of construction of a manufacturing plant.

16 Inventories

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

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Raw materials	**126,685**	111,921
Work in progress	**25,293**	26,038
Finished goods	**219,478**	195,872
	371,456	333,831

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

	Continuing operations		Discontinued operations	
	Year ended 31 March		Year ended 31 March	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)
Carrying amount of inventories sold	**883,647**	801,294	**174,740**	211,279
(Reversal of write-down)/Write-down of inventories	**(2,166)**	2,180	**–**	–
	881,481	803,474	**174,740**	211,279

17 Trade and Other Receivables

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Trade receivables	**199,911**	214,185
Other receivables	**6,297**	2,526
Contingent consideration receivable	**–**	1,084
Deposits and prepayments	**70,353**	59,496
Amount due from a joint venture	**1,393**	–
	277,954	277,291

At 31 March 2020, the deposits and prepayments expected to be recovered after more than one year amounted to HK$16,018,000 (2019: HK$16,965,000). The remaining trade and other receivables are expected to be recovered within one year.

At 31 March 2019, certain bank borrowings were secured by trade receivables as disclosed in note 22(A)(i).

17 Trade and Other Receivables (Continued)

AGEING ANALYSIS

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

	As at 31 March	
	2020 HK$'000	2019 HK$'000
Less than 1 month	**132,614**	141,841
1 to 6 months	**65,223**	66,096
Over 6 months	**2,074**	6,248
	199,911	214,185

The aging analysis of trade receivable (net of allowance) by due date is as follows:

	As at 31 March	
	2020 HK$'000	2019 HK$'000
Current	**100,588**	103,123
Less than 1 month past due	**77,192**	89,974
1 to 3 months past due	**15,618**	14,082
Over 3 months past due	**6,513**	7,006
	199,911	214,185

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 29(A).

18 Other Financial Assets

	As at 31 March	
	2020 HK$'000	2019 HK$'000
Non-current:		
Equity securities designated at FVOCI (non-recycling)		
– Unlisted	**205,310**	248,419
– Listed in Hong Kong	**164,335**	–
Financial assets measured at FVPL		
– Unlisted	**7,173**	6,901
	376,818	255,320
Current:		
Financial assets measured at FVPL		
– Listed outside Hong Kong	**7,687**	–

The Group designated its investments in equity securities acquired during the years ended 31 March 2020 and 2019 at FVOCI (non – recycling) under HKFRS 9 which are mainly represented by the investment in Shanghai Henlius Biotech, Inc. These designations were chosen as the investments are held for strategic purposes. No dividends were received on these investments since acquisitions.

19 Cash and Cash Equivalents and Other Cash Flow Information

(A) CASH AND CASH EQUIVALENTS COMPRISE:

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Short-term deposits with banks	**2,080**	100,529
Cash at bank and in hand	**415,913**	529,313
Cash and cash equivalents in the consolidated statement of financial position	**417,993**	629,842
Cash and cash equivalents included in assets of the disposal group classified as held for sale	**3,448**	–
Cash and cash equivalents in the consolidated cash flow statement	**421,441**	629,842

(B) RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS:

		Year ended 31 March	
		2020	2019
	Note	**HK$'000**	HK$'000
Operating activities			
Profit before taxation			
From continuing operations		**263,486**	309,106
From discontinued operations		**2,084**	5,982
Adjustments for:			
Depreciation and amortisation		**170,775**	115,916
Net loss/(gain) on disposals of other property, plant and equipment	3	**356**	(5,049)
Finance costs	4(A)	**55,576**	66,198
Interest income from bank deposits and the investments	3	**(5,764)**	(4,745)
Fair value gain on investment properties	3	**(1,200)**	(23,374)
Fair value gain on contingent consideration receivable	3	**–**	(353)
Equity-settled share-based payment expenses	4(B)	**1,509**	5,349
Gain on redemption of convertible notes	3	**(8,223)**	–
Share of profits less losses of associates		**(1,993)**	(4,719)
Share of losses of joint ventures		**1,365**	–
Impairment losses on trade receivables	4(C)	**2,600**	–
Changes in working capital			
Increase in inventories		**(51,737)**	(17,508)
Decrease/(increase) in trade and other receivables		**2**	(21,668)
(Decrease)/increase in trade and other payables		**(391)**	6,758
Cash generated from operations		**428,445**	431,893

19 Cash and Cash Equivalents and Other Cash Flow Information (Continued)

(C) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans HK$'000 (note 22(A))	Leases liabilities HK$'000 (note 21)	Lease liabilities associated with the group classified as held for sale HK$'000 (note 32)	Convertible notes HK$'000 (note 22(B))	Total HK$'000
At 31 March 2019	**829,646**	**660**	**–**	**466,960**	**1,297,266**
Impact on initial application of HKFRS 16 (note 1(E))	**–**	**79,223**	**–**	**–**	**79,223**
At 1 April 2019	**829,646**	**79,883**	**–**	**466,960**	**1,376,489**
Changes from financing cash flows:					
Capital element of lease rentals paid	**–**	**(52,606)**	**(4,267)**	**–**	**(56,873)**
Interest element of lease rentals paid	**–**	**(2,571)**	**(217)**	**–**	**(2,788)**
Proceeds from bank loans	**1,202,000**	**–**	**–**	**–**	**1,202,000**
Repayment of bank loans	**(478,010)**	**–**	**–**	**–**	**(478,010)**
Other borrowing costs paid	**(38,526)**	**–**	**–**	**(6,483)**	**(45,009)**
Redemption of convertible notes	**–**	**–**	**–**	**(500,000)**	**(500,000)**
Total changes from financing cash flows	**685,464**	**(55,177)**	**(4,484)**	**(506,483)**	**119,320**
Other changes:					
Increase in lease liabilities from entering into new leases during the year	**–**	**73,646**	**443**	**–**	**74,089**
Increase in lease liabilities from step acquisition of subsidiaries	**–**	**2,116**	**–**	**–**	**2,116**
Interest on lease liabilities (note 4(A))	**–**	**2,571**	**217**	**–**	**2,788**
Interest expenses (note 4(A))	**38,526**	**–**	**–**	**14,262**	**52,788**
Charged to capital reserve	**–**	**–**	**–**	**52,470**	**52,470**
Fair value change upon early redemption	**–**	**–**	**–**	**(27,209)**	**(27,209)**
Transfer to liabilities associated with the group classified as held for sale	**–**	**(8,547)**	**8,547**	**–**	**–**
Total other changes	**38,526**	**69,786**	**9,207**	**39,523**	**157,042**
At 31 March 2020	**1,553,636**	**94,492**	**4,723**	**–**	**1,652,851**
At 1 April 2018	903,872	844	–	447,097	1,351,813
Changes from financing cash flows:					
Capital element of lease rentals paid	–	(184)	–	–	(184)
Interest element of lease rentals paid	–	(47)	–	–	(47)
Proceeds from bank loans	709,016	–	–	–	709,016
Repayment of bank loans	(783,242)	–	–	–	(783,242)
Other borrowing costs paid	(28,788)	–	–	(13,169)	(41,957)
Total changes from financing cash flows	(103,014)	(231)	–	(13,169)	(116,414)
Other changes:					
Interest on lease liabilities (note 4(A))	–	47	–	–	47
Interest expenses (note 4(A))	28,788	–	–	37,363	66,151
Increase in accrued interests	–	–	–	(4,331)	(4,331)
Total other changes	28,788	47	–	33,032	61,867
At 31 March 2019	829,646	660	–	466,960	1,297,266

19 Cash and Cash Equivalents and Other Cash Flow Information (Continued)

(D) TOTAL CASH FLOWS FOR LEASES

Amounts included in the consolidated cash flow statement for leases comprise the following:

	Year ended March 31	
	2020	2019
		(Note)
	HK$'000	HK$'000
Within operating cash flows	**–**	(55,231)
Within financing cash flows	**(59,661)**	(231)
	(59,661)	(55,462)

Note: The adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

20 Trade and Other Payables

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Trade payables	**36,018**	40,458
Salary and bonus payables	**42,975**	38,533
Payables and accruals for additions of other property, plant and equipment	**1,180**	2,638
Other payables and accruals	**30,942**	29,965
Receipts in advance [#]	**6,543**	5,338
Amount due to a joint venture	**2,500**	–
	120,158	116,932

[#] These balances represent the excess of cumulative payments made by customers over the cumulative revenue in profit or loss at the end of the Reporting Period, and recognise as contract liabilities in accordance with HKFRS 15 (see note 1(T)(ii)).

All of the 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	
	2020	2019
	HK$'000	HK$'000
Within 1 month	**23,218**	24,085
1 to 6 months	**12,636**	16,290
Over 6 months	**164**	83
	36,018	40,458

21 Lease Liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	As at 31 March 2020		As at 1 April 2019 (Note)		As at 31 March 2019 (Note)	
	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	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	**47,450**	**49,492**	43,576	45,396	184	231
After 1 year but within 2 years	**27,271**	**28,173**	26,229	26,941	184	231
After 2 years but within 5 years	**19,771**	**20,344**	10,078	10,286	292	366
	47,042	**48,517**	36,307	37,227	476	597
	94,492	**98,009**	79,883	82,623	660	828
Less: total future interest expenses		**(3,517)**		(2,740)		(168)
Present value of lease liabilities		**94,492**		79,883		660

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 March 2019 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in note 1(E).

22 Borrowings

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

	As at 31 March	
	2020 HK$'000	2019 HK$'000
Current liabilities:		
Current portion of bank loans (note 22(A))	**538,654**	440,079
Non-current portion of bank loans with repayable on demand clause (note 22(A))	**–**	18,320
Bank loans	**538,654**	458,399
Lease liabilities (note 21)	**47,450**	184
Non-current portion of convertible notes with specific redemption clause (note 22(B))	**–**	466,960
	586,104	925,543
Non-current liabilities:		
Lease liabilities (note 21)	**47,042**	476
Non-current portion of bank loans without repayable on demand clause (note 22(A))	**1,014,982**	371,247
	1,648,128	1,297,266

22 Borrowings (Continued)

(A) BANK LOANS

(i) Bank loans were analysed as follows:

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Bank loans		
– secured	**1,464,708**	762,098
– unsecured	**88,928**	67,548
	1,553,636	829,646

As at 31 March 2020 and 2019, the secured bank facilities were secured by investment properties 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.

These facilities amounted to HK$1,758,887,000 as of 31 March 2020 (2019: HK$1,390,231,000). These facilities were utilised to the extent of HK$1,574,076,000 (2019: HK$849,633,000).

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	
	2020	2019
	HK$'000	HK$'000
Other property, plant and equipment	**393,421**	414,826
Investment properties	**358,000**	356,800
Trade receivables	**–**	100,000
	751,421	871,626

22 Borrowings (Continued)

(A) BANK LOANS (Continued)

(ii) All the Group's banking facilities are subject to the fulfilment 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 2020, none of the covenants relating to drawn down facilities had been breached (2019: Nil). Further details of the Group's management of liquidity risk are set out in note 29(B).

As at 31 March 2019, notwithstanding the specified repayment schedules as stated in the facilities letters ("specific repayment terms") which allowed the loans to be repaid over a period of more than one year, certain banking facilities granted to the Group included 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 2019 were classified as current liabilities in the consolidated statement of financial position.

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

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Bank loans due for repayment:		
Within 1 year	**538,654**	440,079
After 1 year but within 2 years	**633,127**	84,514
After 2 years but within 5 years	**283,215**	273,733
After 5 years	**98,640**	31,320
	1,014,982	389,567
	1,553,636	829,646

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) CONVERTIBLE NOTES

	Liability component	**Equity component**	**Total**
	HK$'000	HK$'000	HK$'000
As at 1 April 2018	447,097	52,470	499,567
Accreted interest	19,863	–	19,863
As at 31 March 2019 and 1 April 2019	466,960	52,470	519,430
Interest expensed during the year	14,262	–	14,262
Interest paid during the year	(6,483)	–	(6,483)
Fair value change upon early redemption	(8,223)	(18,986)	(27,209)
Early redemption of convertible notes	(466,516)	(33,484)	(500,000)
As at 31 March 2020	**–**	**–**	**–**

The 3-year convertible notes of HK$500,000,000 were issued on 3 October 2017 and has a maturity date of 5 October 2020. Assuming full conversion of the convertible notes based on the initial conversion price of HK$2.50 per share, the convertible notes will be convertible into 200,000,000 ordinary shares. Interest is payable at the rate of 3.5% per annum on the principal amount of the convertible notes outstanding.

The Group has fully redeemed principal amounts of HK$500,000,000 of convertible notes during the year ended 31 March 2020. There were no outstanding convertible notes as at 31 March 2020.

23 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	Provisions HK$'000	Unused tax losses HK$'000	Total HK$'000
At 1 April 2018	82,103	101,711	–	(46,848)	136,966
Acquisition of subsidiaries	2,104	–	–	–	2,104
(Credited)/charged to profit or loss	(3,403)	(1,070)	–	6,650	2,177
Exchange difference	139	–	–	–	139
At 31 March 2019	80,943	100,641	–	(40,198)	141,386
At 1 April 2019	**80,943**	**100,641**	**–**	**(40,198)**	**141,386**
Acquisition of subsidiaries	**99**	**35,821**	**–**	**–**	**35,920**
(Credited)/charged to profit or loss	**(4,463)**	**(1,246)**	**(429)**	**3,313**	**(2,825)**
Exchange difference	**159**	**–**	**–**	**–**	**159**
At 31 March 2020	**76,738**	**135,216**	**(429)**	**(36,885)**	**174,640**

Reconciliation to the consolidated statement of financial position

	As at 31 March	
	2020 HK$'000	2019 HK$'000
Deferred tax assets recognised in the consolidated statement of financial position	**(10,083)**	(5,976)
Deferred tax liabilities recognised in the consolidated statement of financial position	**184,723**	147,362
	174,640	141,386

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 2020, in accordance with the accounting policy set out in note 1(W), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$4,496,000 (2019: HK$26,942,000) 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 2020 and 2019 have no expiry dates under current tax legislation.

24 Share Capital

	Number of shares '000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each at 31 March 2019 and 2020	5,000,000	50,000
Issued:		
At 1 April 2018	1,815,625	18,156
Issuance of ordinary shares (Note (i))	200,000	2,000
At 31 March 2019	2,015,625	20,156
At 1 April 2019	2,015,625	20,156
Shares repurchased (Note (ii))	(81,404)	(813)
Shares held for Share Award Scheme (note 28(A))	(17,268)	(173)
At 31 March 2020	**1,916,953**	**19,170**

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.

Notes:

(i) On 14 August 2018, the Company entered into a subscription agreement with Yunnan Baiyao Holdings Company Limited (雲南白藥控股有限公司) ("Yunnan Baiyao") in respect of 200,000,000 new ordinary shares at the subscription price of HK$2.06 per share. The Company completed the issuance of the ordinary shares to Yunnan Baiyao on 3 September 2018. Net proceeds from such issue amounted to HK$411,658,000 (after the deduction of share issuance costs of HK$342,000) of which HK$2,000,000 and HK$409,658,000 were recorded in share capital and share premium respectively.

(ii) During the year, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month/year	Number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate price paid HK$'000
December 2019	69,634,000	1.730	1.310	107,212
January 2020	11,770,000	1.740	1.660	20,422
	81,404,000			127,634

25 Company-level Statement of Financial Position

	Note	As at 31 March 2020 HK$'000	2019 HK$'000
Non-current assets			
Interests in subsidiaries		**2,432,421**	1,971,378
Prepayment		**370**	10,245
		2,432,791	1,981,623
Current assets			
Prepayment		**443**	440
Cash and cash equivalents		**55,048**	10,891
		55,491	11,331
Current liabilities			
Other payables		**17**	4,331
Amounts due to subsidiaries		**301,511**	72,079
Convertible notes	22(B)	**–**	466,960
		301,528	543,370
Net current liabilities		**(246,037)**	(532,039)
NET ASSETS		**2,186,754**	1,449,584
CAPITAL AND RESERVES			
Share capital		**19,170**	20,156
Reserves		**2,167,584**	1,429,428
TOTAL EQUITY		**2,186,754**	1,449,584

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

	Share capital HK$'000	Share premium HK$'000	Share for Share Award Scheme HK$'000	Capital reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2018	18,156	717,058	–	266,147	8,438	1,009,799
Profit for the year	–	–	–	–	115,085	115,085
Dividends approved in respect of the previous year (note 9(B))	–	–	–	–	(58,453)	(58,453)
Dividends declared in respect of the current year (note 9(A))	–	–	–	–	(30,234)	(30,234)
Equity-settled share-based transactions (note 28)	–	–	–	1,729	–	1,729
Issuance of new shares	2,000	409,658	–	–	–	411,658
At 31 March 2019 and 1 April 2019	**20,156**	**1,126,716**	**–**	**267,876**	**34,836**	**1,449,584**
Profit for the year	**–**	**–**	**–**	**–**	**1,027,047**	**1,027,047**
Dividends approved in respect of the previous year (note 9(B))	**–**	**–**	**–**	**–**	**(60,265)**	**(60,265)**
Dividends declared in respect of the current year (note 9(A))	**–**	**–**	**–**	**–**	**(39,967)**	**(39,967)**
Redemption of convertible notes	**–**	**–**	**–**	**(52,470)**	**18,986**	**(33,484)**
Equity-settled share-based transactions (note 28)	**–**	**–**	**–**	**(5,266)**	**–**	**(5,266)**
Purchase of own shares	**(813)**	**(126,821)**	**–**	**–**	**–**	**(127,634)**
Shares held for Share Award Scheme	**(173)**	**–**	**(23,088)**	**–**	**–**	**(23,261)**
At 31 March 2020	**19,170**	**999,895**	**(23,088)**	**210,140**	**980,637**	**2,186,754**

26 Reserves

The nature and purpose of reserves are set out below:

(A) SHARE PREMIUM

Share premium account represented the difference between the consideration and the par value of the issued shares of the Company. Under the Companies Law (Revised) of the Cayman Islands, the fund in the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(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;

– the difference between the par value of the Company's shares issued and the equity of Jacobson Pharma Group (BVI) Limited ("JPG (BVI)") acquired during the group reorganisation completed on 18 March 2016 (the "Reorganisation"). Pursuant to the Reorganisation, the Company issued 1,308,646,000 ordinary shares of HK$0.01 each to the ten shareholders of JPG (BVI) in consideration of acquiring their equity interests held in JPG (BVI). The difference between the ten shareholders' equity in 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;

– the portion of the grant date fair value of unexercised share options granted to certain employees, including certain executive directors of the Company and certain directors of subsidiaries of the Company, that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(V)(ii); and

– the amount allocated to the unexercised equity component of the convertible notes issued by the Group recognised in accordance with the accounting policy adopted for convertible notes in note 1(R).

(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(Z).

(D) FAIR VALUE RESERVE (NON-RECYCLING)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the Reporting Period.

(E) 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.

27 Acquisition of Subsidiaries

(A) BUSINESS COMBINATIONS

Step acquisition of Orizen Group

On 22 July 2019, Sampan Development Limited ("Sampan"), a wholly-owned subsidiary of the Group, entered into a sale and purchase agreement (the "SPA") with independent third parties ("the Vendors"), pursuant to which Sampan conditionally agreed to purchase and the Vendors conditionally agreed to sell, a 43% equity interest in Orizen, at a consideration of HK$113,384,000 (the "Step Acquisition"). Orizen is an investment holding company incorporated in the British Virgin Islands and its subsidiary is principally engaged in proprietary Chinese medicine business.

The fair value of the Group's then 45% equity holding in Orizen immediately before the Step Acquisition (the "Existing Shareholding") formed part of the total consideration of the Step Acquisition and was included in the calculation of goodwill on the Step Acquisition.

As at 6 August 2019, the fair value of the Existing Shareholding was estimated by management at HK$118,730,000. Compared with their respective carrying amounts before valuation, no fair value gain or loss was recognised.

Upon the completion of the Step Acquisition on 6 August 2019, the Orizen Group, the former 45% associates of the Group, became 88% owned subsidiaries of the Group.

The fair values of assets acquired and liabilities assumed at the acquisition date were as follows:

	6 August 2019 HK$'000
Other property, plant and equipment	3,248
Intangible assets	217,097
Cash and cash equivalents	5,260
Inventories	12,084
Trade and other receivables	10,812
Trade and other payables	(8,603)
Current tax payable	(1,950)
Lease liabilities	(2,116)
Deferred tax liabilities	(35,920)
Fair value of net assets acquired	199,912
Less: fair value of Existing Shareholding	(118,730)
Less: non-controlling interests	(23,989)
Goodwill	56,191
Total consideration, satisfied in cash paid	113,384
Less: cash and cash equivalents acquired	(5,260)
Net cash outflow	108,124

Goodwill arising from the acquisition of the Orizen Group represents the benefits of expected synergies to be achieved from integrating the subsidiaries into the Group's existing businesses and future market development. None of the goodwill recognised is expected to be deductible for tax purposes. The transaction costs of HK$398,000 incurred for the Step Acquisition were expensed and included in "Administrative and other operating expenses" in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 March 2020.

The Orizen Group contributed revenue of HK$70,892,000 and profit of HK$11,030,000 to the Group for the period from 6 August 2019 to 31 March 2020. If the Step Acquisition had occurred on 1 April 2019, the Group's revenue and profit for the year ended 31 March 2020 would have increased by HK$36,349,000 and HK$5,446,000 (after deduction of share of profits from 1 April 2019 to 6 August 2019) respectively.

27 Acquisition of Subsidiaries (Continued)

(A) BUSINESS COMBINATIONS (Continued)

Measurement of fair value

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

Assets acquired	Valuation techniques
Intangible assets	Excess earnings method: The method determines the value of an intangible asset as the present value of the cash flows attributable to the subject intangible asset after excluding the proportion of cash flows that are attributable to contributory assets.

(B) ASSETS ACQUISITIONS

During the year ended 31 March 2019, the Group acquired certain commercial properties and industrial premise through transfer of equity interests in two entities for a consideration of HK$128.2 million and HK$250.2 million in June 2018 and November 2018 respectively.

28 Equity-settled Share-based Transactions

(A) SHARE AWARD SCHEME

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

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

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

During the year ended 31 March 2020, the Share Award Scheme acquired 17,268,000 shares (2019: Nil) through purchases on the open market. The total amount paid to acquire the shares during the year was HK$23,261,000 (2019: HK$Nil).

There was no share award granted under the Share Award Scheme during the years ended 31 March 2020 and 2019.

28 Equity-settled Share-based Transactions (Continued)

(B) SHARE OPTION SCHEME

The Company has a Share Option Scheme which was adopted on 30 August 2016 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any companies in the Group, to take up options at HK$1 consideration to subscribe for shares of the Company. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

(i) The terms and conditions of the grants are as follows:

Options granted to directors	No of instruments	Vesting periods	The options are exercisable in the following tranches:
	'000		
– on 30 June 2017	6,000	From 30 June 2017 up to 1 October 2017	from 1 October 2017 up to 30 September 2018
– on 30 June 2017	6,000	From 30 June 2017 up to 1 October 2018	from 1 October 2018 up to 30 September 2019
– on 30 June 2017	6,000	From 30 June 2017 up to 1 October 2019	from 1 October 2019 up to 30 September 2020
	18,000		
Options granted to all other employees			
– on 30 June 2017	5,910	From 30 June 2017 up to 1 October 2017	from 1 October 2017 up to 30 September 2018
– on 30 June 2017	5,910	From 30 June 2017 up to 1 October 2018	from 1 October 2018 up to 30 September 2019
– on 30 June 2017	6,180	From 30 June 2017 up to 1 October 2019	from 1 October 2019 up to 30 September 2020
– on 18 October 2017	1,000	From 18 October 2017 up to 1 April 2018	from 1 April 2018 up to 17 October 2020
	19,000		
Total share options granted	37,000		

(ii) The number and weighted average exercise prices of share options are as follows:

	As at 31 March			
	2020		2019	
	Weighted average exercise price HK$	**Number of options '000**	Weighted average exercise price HK$	Number of options '000
Outstanding at the beginning of the year	**2.06**	**24,480**	2.06	36,600
Granted during the year	**–**	**–**	–	–
Forfeited during the year	**–**	**–**	2.06	(500)
Lapsed during the year	**2.06**	**(13,600)**	2.06	(11,620)
Outstanding at the end of the year	**2.06**	**10,880**	2.06	24,480
Exercisable at the end of the year	**2.06**	**10,880**	2.06	12,620

No shares options were exercised during the year (2019: nil).

The options outstanding at 31 March 2020 had an exercise price of HK$2.06 (2019: HK$2.06) and a weighted average remaining contractual life of less than 1 year (2019: 1 year).

28 Equity-settled Share-based Transactions (Continued)

(B) SHARE OPTION SCHEME (Continued)

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value of share options and assumptions

Fair value at measurement date		
Grant date	30 June 2017	18 October 2017
Share price	2.06	2.07
Exercise price	2.06	2.13
Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)	33.2%-41.2%	41.1%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	1.3-3.3 years	3 years
Expected dividends	1.07%	1.06%
Risk-free interest rate (based on Hong Kong Government Bond Benchmark Yield Curve)	0.61%-0.98%	1.23%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

29 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 and trade and other receivables. 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.

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 2020, 7.7% (2019: 9.8%) of the total trade and other receivables was due from the Group's largest debtor and 21.0% (2019: 29.9%) was due from the five largest debtors respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which, except for amounts due from customers with known financial difficulties or significant doubt on collection that are assessed individually, is calculated using a provision matrix. Accordingly, the Group recognised credit loss of HK$2,600,000 for a single customer with significant doubt on collection that is individually impaired for the year ended 31 March 2020 (2019: HK$Nil). As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Expected loss rates are based on actual loss experience over the past two years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The Group assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 as at 31 March 2020 and 2019 other than for the abovementioned customers, and no provision matrix has therefore been disclosed.

29 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.

The contractual undiscounted cash flows of trade and other payables excluding receipts in advance as at 31 March 2020 and 2019 are due within 1 year or on demand and equal to their carrying value, at the end of the Reporting Period. The contractual undiscounted cash flows of lease liabilities are disclosed under "Total minimum lease payments" in note 21.

The following tables show the remaining contractual maturities at the end of the Reporting Period of the Group's bank loans and convertible notes, 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 at 31 March 2019, as the directors did not expect the banks or the notesholders would exercise the rights to demand repayment or redemption, the bank loans subject to repayment on demand clause subject to redemption clause were expected to be repayable based on the specific repayment terms. Hence, for these bank loans and convertible notes, the following tables showed 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 2019.

	As at 31 March 2019						
	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	–	460,228	96,471	288,642	36,427	881,768	829,646
Convertible notes subject to redemption upon occurrence of events of default: scheduled repayments	–	17,500	508,750	–	–	526,250	466,960
	–	477,728	605,221	288,642	36,427	1,408,018	1,296,606
Adjustments to disclose cash flows on bank loans based on lender's right to demand repayment	188,983	(172,915)	(5,616)	(12,553)	(1,488)	(3,589)	–
Adjustments to disclose cash flows on convertible notes based on notesholders' right to demand redemption	504,331	(17,500)	(508,750)	–	–	(21,919)	–
	693,314	287,313	90,855	276,089	34,939	1,382,510	1,296,606

	As at 31 March 2020						
	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	**–**	**576,047**	**647,724**	**301,695**	**115,712**	**1,641,178**	**1,553,636**

29 Financial Risk Management and Fair Values (Continued)

(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			
	2020 Effective interest rate	**Amount HK$'000**	2019 Effective interest rate	Amount HK$'000
Fixed rate borrowings:				
Lease liabilities (Note)	**2.95% – 3.30%**	**94,492**	5.16%	660
Convertible notes		**–**	8.19%	466,960
		94,492		467,620
Variable rate borrowings:				
Bank loans	**2.50% – 4.63%**	**1,553,636**	2.25% – 5.00%	829,646
Total interest-bearing borrowings		**1,648,128**		1,297,266
Fixed rate borrowings as a percentage of total net borrowings		**5.7%**		36.0%

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(E).

(ii) Sensitivity analysis

As at 31 March 2020, 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$1,297,000 (2019: HK$693,000).

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 2019.

(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.

29 Financial Risk Management and Fair Values (Continued)

(D) CURRENCY RISK (Continued)

(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					
	2020			2019		
	United States dollars HK$'000	**Euros HK$'000**	**Renminbi HK$'000**	United States dollars HK$'000	Euros HK$'000	Renminbi HK$'000
Cash and cash equivalents	**23,543**	**195**	**6,658**	1,396	11	4,695
Trade and other receivables	**8,032**	**5,353**	**10,162**	2,578	7,823	6,772
Trade and other payables	**(7,993)**	**(736)**	**–**	(4,464)	(574)	(2,779)
Net exposure arising from recognised assets and liabilities	**23,582**	**4,812**	**16,820**	(490)	7,260	8,688

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax and retained profits 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			
	2020		2019	
	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	**3%**	**121**	9%	546
	(3)%	**(121)**	(9)%	(546)
Renminbi	**7%**	**983**	6%	435
	(7)%	**(983)**	(6)%	(435)

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 2019.

29 Financial Risk Management and Fair Values (Continued)

(E) FAIR VALUE MEASUREMENT

(a) Fair value hierarchy

HKFRS 13, *Fair value measurement* categorises fair value measurements into a three-level hierarchy. The level into which fair value is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

The following table presents the Group's financial assets that were measured at fair value at 31 March 2020.

	Fair value at 31 March 2020	**Fair value measurements at 31 March 2020 categorised into**		
		Level 1	**Level 2**	**Level 3**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets:				
Financial assets at FVPL				
– Unlisted	**7,173**	**–**	**7,173**	**–**
– Listed outside Hong Kong	**7,687**	**7,687**	**–**	**–**
Financial assets at FVOCI				
– Unlisted	**205,310**	**–**	**205,310**	**–**
– Listed in Hong Kong	**164,335**	**164,335**	**–**	**–**

	Fair value at 31 March 2019	Fair value measurements at 31 March 2019 categorised into		
		Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets:				
Financial assets at FVPL				
– Unlisted	6,901	–	6,901	–
Financial assets at FVOCI				
– Unlisted	248,419	–	248,419	–
Contingent consideration receivable	1,084	–	–	1,084

As at 31 March 2019, an unadjusted quoted price of one of the financial assets designated at FVOCI was not available in the active market. In August 2019, the same financial asset designated at FVOCI became listed on the Stock Exchange. Accordingly, the fair value measurement was transferred from Level 2 to Level 1. Except for this financial asset, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 during the year ended 31 March 2019. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the ended of the Reporting Period in which they occur.

29 Financial Risk Management and Fair Values (Continued)

(E) FAIR VALUE MEASUREMENT (Continued)

(b) Valuation techniques and inputs used in Level 2 fair value measurement

The fair values of the financial assets at FVOCI are determined with reference to the pricing of the recent transactions or offerings of the investees' shares.

(c) Valuation techniques and inputs used in Level 3 fair value measurement

The fair value of the contingent consideration receivable was determined using monte carlo simulation and the significant unobservable input used in the fair value measurement was expected net profit after tax ("Net Profit"). The fair value would increase when the expected Net Profit decreased. As at 31 March 2019, it was estimated that with all other variables held constant, an increase/decrease in the Net Profit by 10% would have no significant impact on the Group's profit.

30 Commitments

(A) Capital commitments outstanding at the end of each Reporting Period not provided for in the financial statements were as follows:

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Authorised and contracted for		
– Purchase of non-current assets	**51,694**	54,508
– Acquisition of a subsidiary	**79,320**	–
	131,014	54,508

(B) At 31 March 2019, the total future minimum lease payments of the Group under non-cancellable operating leases in respect of land and buildings were payable as follows:

	HK$'000
Within 1 year	48,792
After 1 year but within 5 years	42,935
	91,727

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to these leases (see note 1(E)). From 1 April 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 1(N), and the details regarding the Group's future lease payments are disclosed in note 21.

31 Material Related Party Transactions

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)).

32 Disposal Group and Discontinued Operations

During the year ended 31 March 2020, the Group committed to disposing of its wholesale and retail business, which represented a reportable and operating segment, namely "wholesale and retail", and commenced negotiation with Million Effort Investment Limited, a company incorporated in the British Virgin Islands with limited liability, an indirectly wholly-owned subsidiary of Tycoon Group Holdings Limited. The sale and purchase agreement was entered on 1 June 2020 and the disposal was completed on 15 June 2020 at a total consideration of approximately HK$41,650,000. The wholesale and retail was classified as a disposal group held for sale and included in a discontinued operation as at 31 March 2020.

32 Disposal Group and Discontinued Operations (Continued)

The assets and liabilities associated with the disposal group classified as held for sale as at 31 March 2020 are as follows:

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Assets of the disposal group classified as held for sale	**78,498**	–
Liabilities associated with the group classified as held for sale	**10,751**	–

The result of the discontinued operations for the year ended 31 March 2020 is set out below:

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Revenue	**186,220**	226,516
Cost of sales	**(174,740)**	(211,279)
Gross profit	**11,480**	15,237
Other net income	**90**	425
Selling and distribution expenses	**(8,562)**	(8,824)
Administrative and other operating expenses	**(707)**	(856)
Profit from operations	**2,301**	5,982
Finance costs	**(217)**	–
Profit before taxation	**2,084**	5,982
Income tax	**(437)**	(882)
Profit for the year from discontinued operations	**1,647**	5,100
Attributable to:		
Equity shareholders of the Company	**1,137**	3,766
Non-controlling interests	**510**	1,334
	1,647	5,100
Cash flow		
Operating cash inflows/(outflows)	**4,651**	(985)
Investing cash inflows/(outflows)	**34**	(3)
Financing cash outflows	**(4,484)**	–
Net cash inflows/(outflows)	**201**	(988)

33 Non-adjusting Events After the Reporting Period

(i) The Group entered into a cornerstone investment agreement with Tycoon Group Holdings Limited ("Tycoon") on 19 March 2020 to subscribe for Tycoon's shares in the amount of HK$80.0 million at an offer price of HK$1.49 per share and Tycoon's shares were listed on the Main Board of the Stock Exchange on 15 April 2020 (Stock code: 3390). Tycoon is a provider of a variety of proprietary Chinese medicine, health supplement, skin care, personal care and other healthcare products, predominantly selling and distributing such products in Hong Kong. In addition, Tycoon has been actively engaging in offline direct sales through its retail stores in Macau and online sales through its cross-border e-commerce platform.

(ii) On 8 April 2020, the Group completed the acquisition of 100% equity interest in LKC Holdings Limited at a cash consideration of HK$99,150,000 to acquire certain units and car parks in an industrial building in Hong Kong, which are now being occupied by a pharmaceutical manufacturing company of the Group.

34 Comparative Figures

The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 1(E).

Certain comparative figures have been adjusted to conform to the disclosure requirement in respect of the discontinued operations set out in note 32 to the consolidated financial statements. Accordingly, the comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated.

35 Immediate and Ultimate Controlling Party

At 31 March 2020, 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.

36 Accounting Judgements and Estimates

KEY SOURCES OF UNCERTAINTY

Notes 10, 28 and 29 contain information about the assumptions and their risk factors relating to valuation of investment properties, fair value of share options granted and financial instruments. Other key sources of estimation uncertainty are as follows:

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 judgement 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.

37 Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for the Year Ended 31 March 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 March 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Definition of a business*	1 January 2020
Amendments to HKAS 1 and HKAS 8, *Definition of material*	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments 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 consolidated financial statements.

Group Properties

Major properties held for investment

Location	Use	Lease term
Godown A and Godown B, 9th Floor, Ever Gain Centre, No. 28 On Muk Street, Shatin, New Territories, Hong Kong	Commercial and industrial	Medium lease
Office Nos. 6-11, 8th Floor, C-Bons International Centre, No. 108 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong	Commercial	Medium lease
7th Floor, Rainbow Factory Building, No. 149 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong	Commercial and industrial	Medium lease

Five-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 five financial years is as follows:

	Year ended 31 March				
	2020 **HK$'000**	2019 HK$'000 (Restated) (Note)	2018 HK$'000	2017 HK$'000	2016 HK$'000
Revenue	**1,571,459**	1,478,125	1,548,684	1,255,957	1,083,856
Cost of sales	**(881,481)**	(803,474)	(931,022)	(699,069)	(596,101)
Gross profit	**689,978**	674,651	617,662	556,888	487,755
Other net income/(loss)	**30,091**	37,064	19,506	11,740	(465)
Selling and distribution expenses	**(195,286)**	(168,877)	(167,075)	(145,350)	(133,807)
Administrative and other operating expenses	**(206,566)**	(172,253)	(172,865)	(188,036)	(167,963)
Profit from operations	**318,217**	370,585	297,228	235,242	185,520
Finance costs	**(55,359)**	(66,198)	(46,005)	(13,996)	(2,523)
Share of profits less losses of associates	**1,993**	4,719	–	–	–
Share of losses of joint ventures	**(1,365)**	–	–	–	-
Profit before taxation	**263,486**	309,106	251,223	221,246	182,997
Income tax	**(46,025)**	(55,528)	(46,323)	(39,986)	(30,335)
Profit for the year from continuing operations	**217,461**	253,578	204,900	181,260	152,662
Profit for the year from discontinued operations	**1,647**	5,100	–	–	–
Profit for the year	**219,108**	258,678	204,900	181,260	152,662
Profit attributable to:					
Shareholders of the Company	**215,631**	250,561	202,270	179,328	145,610
Non-controlling interests	**3,477**	8,117	2,630	1,932	7,052
Total profit for the year	**219,108**	258,678	204,900	181,260	152,662

	As at 31 March				
	2020 **HK$'000**	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Total non-current assets	**3,409,824**	3,016,587	2,369,473	2,136,155	1,322,061
Total current assets	**1,170,376**	1,244,007	1,241,682	833,912	499,989
Total current liabilities	**727,360**	1,054,371	1,461,363	1,058,489	816,835
Total non-current liabilities	**1,246,747**	519,085	141,817	139,260	49,070
Net current assets/(liabilities)	**443,016**	189,636	(219,681)	(224,577)	(316,846)
Total assets less current liabilities	**3,852,840**	3,206,223	2,149,792	1,911,578	1,005,215
Net assets	**2,606,093**	2,687,138	2,007,975	1,772,318	956,145

Note:

The wholesale and retail segment has been classified as discontinued operations of the Group for the year ended 31 March 2020. In accordance with HKFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, the Group has restated the comparative information in 2019 in this regard.

Glossary

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

"2020 AGM"	the forthcoming 2020 annual general meeting of the Company
"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 share of profits less losses of associates, share of losses of joint ventures and non-recurring items not attributable to the operations of individual segments
"adjusted EBITDA margin"	adjusted EBITDA divided by revenue and multiplied by 100%
"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", "Mainland 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, Kingshill and Kingshill Development Group Inc
"Director(s)"	the director(s) of the Company
"FY2019"	the year ended 31 March 2019
"FY2020" or "Reporting Period"	the year ended 31 March 2020
"GMP"	Good Manufacturing Practice, a set of detailed guidelines on practices governing the production of pharmaceutical products designed to protect consumers by minimising production errors and the possibility of contamination
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited
"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)
"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 Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Main Board"	Main Board of the Stock Exchange
"Mr. Sum"	Mr. Sum Kwong Yip, Derek, our chairman, executive Director, chief executive officer and one of our Controlling Shareholders
"net debts"	bank loans and convertible notes 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
"Private Sector"	refers to non-Public Sector
"Prospectus"	the prospectus issued by the Company dated 8 September 2016
"Public Sector"	refers to public sector 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
"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)" or "share(s)"	ordinary share(s) in the capital of the Company with nominal value of HK$0.01 each
"Share Award Scheme"	the share award scheme adopted by our Company on 16 October 2018, the principal terms of which are summarised in the announcement of the Company dated 16 October 2018
"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
"WHO"	World Health Organisation
"Yunnan Baiyao Group"	Yunnan Baiyao Group Co., Ltd.（雲南白藥集團股份有限公司）, a company established under the laws of the People's Republic of China with limited liabilities

Jacobson
Pharma Corporation

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