

Staying Focused On Long Term Priorities



JACOBSON PHARMA CORPORATION LIMITED

Incorporated under the laws of the Cayman Islands with limited liability

Stock Code : 2633



Interim 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)
Professor Lam Sing Kwong, Simon
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

	Six months ended 30 September 2020	Six months ended 30 September 2019 (Restated)	Change
	HK\$'000	HK\$'000	
Revenue			
– Generic Drugs	551,768	626,867	-12.0%
– Proprietary Medicines	143,657	130,340	+10.2%
Total	695,425	757,207	-8.2%
Gross profit	266,257	350,658	-24.1%
Gross profit margin (%)	38.3%	46.3%	-8.0%
Profit attributable to shareholders of the Company	102,513	127,218	-19.4%
Profit margin attributable to shareholders of the Company (%)	14.7%	16.8%	-2.1%
Adjusted EBITDA ⁽²⁾	233,391	251,079	-7.0%
Adjusted EBITDA margin (%) ⁽³⁾	33.6%	33.2%	+0.4%
Return on equity (%) ⁽⁴⁾	8.4%	9.7%	-1.3%

	As at 30 September 2020	As at 31 March 2020	Change
	HK\$'000	HK\$'000	
Total assets	4,810,711	4,580,200	+5.0%
Total liabilities	2,033,790	1,974,107	+3.0%
Total equity	2,776,921	2,606,093	+6.6%

(1) The wholesale and retail segment has been classified as discontinued operations of the Group for the period ended 30 September 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 joint ventures and associates and non-recurring items not attributable to the operations of individual segments, including fair value adjustment on investment properties, gain on disposals of subsidiaries, gain on redemption of convertible notes and spin-off listing expense.

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

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



CORPORATE VISION AND MISSION



A MISSION
THAT
MATTERS



A VISION
THAT
INSPIRES



A CULTURE
THAT
ACHIEVES

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

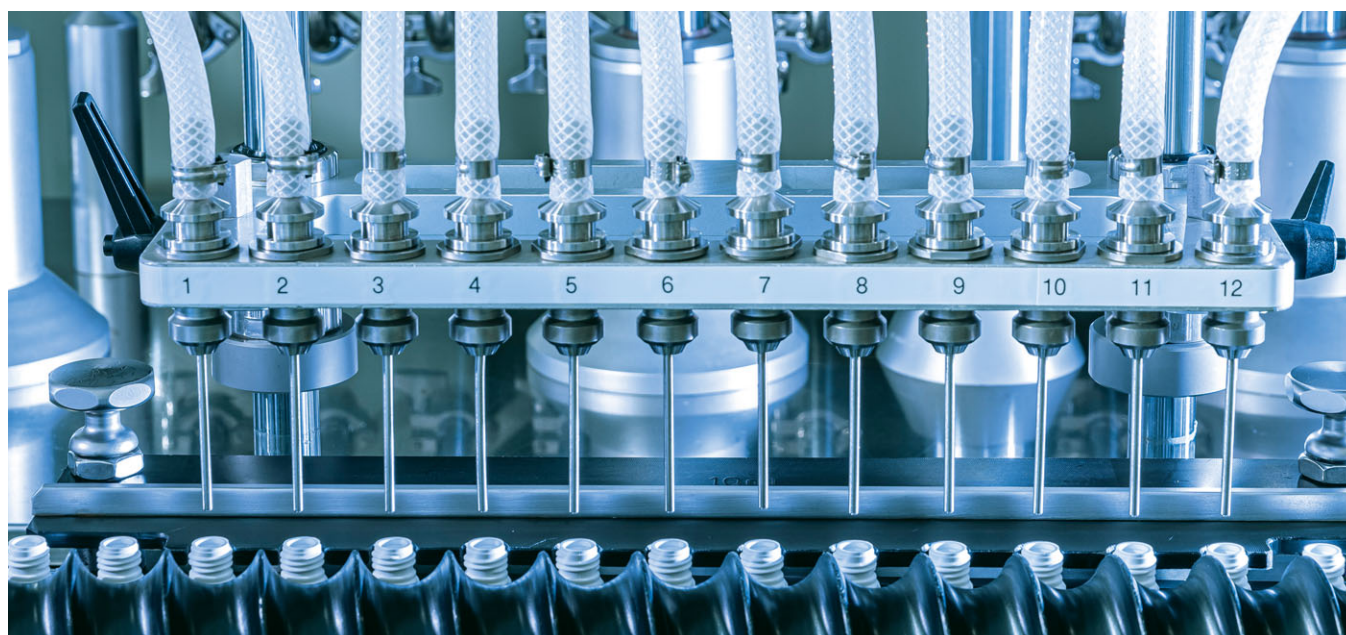
- Leadership in a Diverse Range of Essential and Specialty Drugs in Hong Kong**

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 AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 September 2020, Hong Kong's economy continued to be battered by the coronavirus pandemic. As the third local wave of infections subsided in September, the local economy has contracted for five consecutive quarters; beginning with the social unrest which emerged in the second half of 2019. Large parts of Hong Kong's economy suffered as pandemic-control measures upturned regular life, causing a steep fall in business activity across different local economic sectors despite the government's effort to shore up industries with pandemic relief measures. However, the pressure on Hong Kong's economy has eased on the back of the mainland's recent economic rebound along with the stabilization and control of the local epidemic situation.

Amidst this economic stress, mitigated by impact relief and cost-saving measures, the Group posted total revenue of HK\$695.4 million during the Reporting Period, an 8.2% decrease over the previous period. Profit attributable to shareholders reduced by 19.4% totaling HK\$102.5 million.

Hampered Demand for Generic Drugs

The generics business of the Group was affected mostly by the hard-hit retail sector battered by a deep plunge of visitors from China and overseas under travel restrictions to control the Covid-19 pandemic, compounded by local social distancing measures and a reduction of consultation visits amongst hospitals and private clinics.

Under this market stress, the Group's total generics business suffered an overall drop of 12.0% with revenue at HK\$551.8 million during the Reporting Period. However, a steady growth of 9.0% was registered in its Public Sector business; despite a 24.1% decrease in the Private Sector particularly among drug stores and private clinics.

Whilst we anticipate the recovery of the economy once we establish control of the Covid-19 pandemic with effective vaccines rolling out in the short-term, key growth drivers such as the ageing population and prevalence of chronic diseases will remain the medium and long-term strategic focuses of the Group in new product and business development to serve the escalating medical demands of both the Public and Private Sectors.

Strong Performance of Therapeutic Class Products

Of the Group's offerings during the Reporting Period, products within therapeutic sectors such as anti-ulcerative, oral anti-diabetic and cardiovascular exhibited strong growth.

For instance, the Group's anti-ulcerative and oral anti-diabetic product classes have registered a robust growth of 56.2% and 43.2% respectively, attributed to the award of new public tenders such as Famotidine and Metformin Tablets as well as their increased consumption. In addition, the Group's angiotensin-converting enzyme inhibitor and angiotensin II receptor blocker classes of cardiovascular products have achieved sales growths of 43.4% and 19.9% respectively due to new business secured in the Public Sector and the increase in consumption.

Furthermore, the Group's hypnotic class products have grown by 11.7% in the Public Sector. This might be attributable to the hazardous effects of the Covid-19 pandemic on the mental health of people during the Reporting Period.

In addition to pharmaceuticals like Perindopril Tablet, Mesalazine Enteric Coated Tablet 500mg and Atomoxetine Capsule 40mg, the Group has also secured first-time public tenders for Dihydrocodeine Tablet 30mg, Risperidone Tablet 1mg and Haloperidol Tablet 5mg during the Reporting Period.

Within the Private Sector, sales of the Group's laxatives grew by 44.2% with the introduction of new products. Angiotensin II receptor blockers, beta-blockers and lipid-lowering agents of cardiovascular products grew by of 70.3%, 33.7% and 28.0% respectively. The sales of hypnotics also grew by 31.6% in the Reporting Period.

Introduction of New Products

A number of new products including Dihydrocodeine Tablet, Finasteride Tablet, Hydroxychloroquine Tablet, Desloratadine Tablet, Metronidazole Gel, Chloramphenicol and Dexamethasone Eye Drops were launched during the Reporting Period as we continued our efforts to introduce quality generics to meet medical and patient needs. Additionally, the Group has secured registration approval for a number of new products such as Homatropine Eye Drops, Ofloxacin Eye Drops and Ear Drops for upcoming market launches.

Supply of Pandemic Control Products

To meet the high surge in demand for antiseptic alcohol hand rubs due to the Covid-19 outbreak, the Group produced and supplied a sufficient amount of alcohol hand rubs formulated to the World Health Organization's recommendations ("WHO Alcohol Hand Rubs") to hospitals and clinics to help medical and healthcare professionals in their fight against the pandemic. A total of more than 200,000 bottles of WHO Alcohol Hand Rubs and alcohol-containing disinfectants were supplied by the Group to both Public and Private Sectors during the Reporting Period.

The Group also launched "MedProtect", a branded series of face masks to cater to the protective needs of healthcare professionals and the public in Hong Kong under the pandemic, establishing a production line in its PIC/S GMP certified manufacturing facilities. MedProtect face masks are manufactured and certified to meet the ASTM Level 1 and EN 14683 Type II R standards to serve the market demands particularly from medical and healthcare professionals for medical grade protection.

Extending the Capability of CRM Platform to E-commerce

We have continued to develop our cloud-based customer relationship management ("CRM") digital platform and will soon complete the second phase of its implementation. This will enable our salesmen to perform customer sales analysis on mobile devices to target the demands of potential customers, as well as allow them to track progress for specific sales targets.

We will further extend the CRM platform into an E-commerce system to enable customer interaction, sales management, and product promotions. Customers can check their order history – including their order patterns and price information – on the E-commerce platform. This will create an additional channel for the sales team to promote products, serve customer enquiries and to answer their needs in a responsive and efficient manner.

Continuing Drive for Business Development

During the Reporting Period, the Group has signed regional in-license agreements with reputable overseas pharmaceutical manufacturers for a total of 11 specialized drugs within a number of therapeutic classes such as the central nervous system, infectious diseases, gastrointestinal, and others. This includes a medical device for Covid-19 antibody rapid diagnostics test kit. Among these, 4 of the items are eligible for tender bidding in this financial year, and the other 5 items will become eligible in the coming years.

The Group also successfully acquired marketing authorization for 109 products from a renowned international manufacturer. Among these products, 72 are being registered and 37 have been submitted their registration applications in Hong Kong. 6 of the above 72 items participated in public tenders during the Reporting Period and 66 of them are eligible for tender bidding in coming periods.

As the exclusive distributor of AIM Atropine 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, the Group pressed for brand leadership to garner continuous support for children for vision protection and myopia control.

In collaboration with the social enterprise Hong Kong Health Care Alliance and a popular optical chain, Jacobson sponsored a childcare program named "AI Childhood Myopia Prediction & Examination Program" which applies big data and AI technology to help predict myopia progression for high risk children and provide them with ophthalmic exams.

Jacobson 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 (LAMP2)" with approved funding from The Innovation and Technology Fund (ITF). One of the primary objectives of this study was to change the clinical paradigm of treatment for myopia progression and prevention.

Oncotype DX® Breast Cancer Recurrence Score Test, a diagnostic tool for personalized breast cancer treatment by Genomic Health, Inc., continued to gain popularity amongst early stage breast cancer patients through public education talks and a patient support financial assistance project under the enrollment program created by Jacobson in collaboration with the Hong Kong Breast Cancer Foundation. Jacobson also partnered with major insurance companies in Hong Kong to conduct a series of educational seminars on breast cancer for more than 1,000 insurance agents.

To tap into the potential of the fast-growing cross-border e-commerce sector in China, the Group is developing a self-operated flagship store on Tmall Global Marketplace in collaboration with key strategic partners to fully exploit the demand for branded quality healthcare products amongst Chinese consumers – especially in Southern China and the newly forming Greater Bay Area that represents strong and growing consumption power. Our self-operated e-commerce team in China has been set up in Shenzhen. About 30 products will be introduced to customers in China by the platform operative by end of 2020. We will be offering quality products from trusted brands with unique features and benefits to serve the healthcare needs of Chinese consumers.



Brand Resilience of Proprietary Medicine

Facing the continued stranglehold by the Covid-19 pandemic on tourism and consumption, the Group's proprietary medicine business dealt remarkably with the pressure from the adversely affected retail sector. With the inclusion of our newly acquired proprietary Chinese medicine business, sales revenue of the Group's proprietary medicine segment posted a 10.2% growth to HK\$143.7 million during the Reporting Period.

Despite a plunge of 29% in retail sales of Chinese drugs & herbs in Hong Kong over the first nine months in 2020 by government statistics, Po Chai Pills, a leading household brand in Chinese gastrointestinal medicine, performed resiliently amidst the fierce challenges – backed by our persistent brand management and marketing efforts – with a gentle decrease in overall sales by 6.9% during the Reporting Period.

To promote the inheritance of traditional Chinese medicine, the framework documents “The Opinions of the CPC Central Committee and the State Council on Promoting the Preservation, Innovation and Development of Traditional Chinese Medicine 《中共中央國務院關於促進中醫藥傳承創新發展的意見》” and “Guangdong-Hong Kong-Macao Greater Bay Area Chinese Medicine Development Plan 《粵港澳大灣區中醫藥高地建設方案(2020-2025年)》” have been released which will pave the way for close collaboration – particularly in resources – between Guangdong, Hong Kong and Macau to develop Chinese medicine practice and proprietary Chinese medicines. The increase in R&D support for the Chinese medical industry and facilitation of the entry of registered Chinese medicine products into the Great Bay Area by the government is expected to help effectively expand the market horizon for traditional Chinese medical practices and products in Hong Kong.

R&D Pipeline on Track

Progress with our product pipeline was on track during the Reporting Period. A total of 4 products, including Halomethasone Cream, Rifampicin Oral Suspension and UDCA Capsule 250mg, were successfully registered during the Reporting Period and are ready for launch in Hong Kong. Four other new products, mostly in the central nervous system category have completed their development processes and have been submitted to the Department of Health for approval.

As of 30 September 2020, there are 117 products in our pipeline, 54 items have been approved for registration, 4 of them have been submitted for registration, 22 items have finished the development stage and are under stability study, and 32 items are currently under development. Within the Reporting Period, 4 new items have been added to the pipeline.

Progress on Collaborative Projects for Innovative Technologies

Newly Formed Collaboration Project with The 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 the technological usage of Confocal Raman Microscopes on specified manufacturing processes to precisely control and manage the manufacturing process; making sure that they can achieve complicated formulation, ingredient distribution, and specified in-vivo efficacy.

The project has completed most of the research work. A database containing more than 40 commonly used active pharmaceutical ingredients and more than 80 excipients has been established for use in quick screening for constituents in samples. Also, a non-destructive coating thickness analytic method for enteric coating products has been developed which can quickly and effectively analyze the coating composition and provide semi-quantitative thickness measurement. An analytic method for tablet coating surface analysis has been developed which can provide more information about the surface image and coating homogeneity as well as thickness. An analytic method to determine the composition of solid preparations and the particle size of each component has also been established to perform specific analysis for all solid preparations, thereby improving the speed and success rate of new product developments.

Collaboration Project on Anti-cancer Drugs Production Industrialization

Beginning in the first quarter of 2020, the Group collaborated with a Beijing pharma company to industrialize the production of anti-cancer drugs with indications covering non-small cell lung cancer (NSCLC) and chronic myeloid leukaemia (CML).

This project combines the technological capabilities of advanced raw material drug synthesis and prescription process research with the Group's expertise in formulation technology to industrialize the production of products from scientific research.

Two related studies within the project for the treatment of non-small cell lung cancer and chronic myeloid leukaemia are in progress, with the research and development work near completion at this stage. Pilot scale-up, transfer and production will be carried out shortly after.

Letter of Intent with Fosun Pharma Group to Distribute Covid-19 Vaccine in Hong Kong and Macau

On 27 August 2020, the Group signed a letter of intent in conjunction with Fosun Industrial Co. Ltd., a wholly-owned subsidiary of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("Fosun Pharma Group") to market and supply potentially 10 million doses of BioNTech SE's BNT162 mRNA-based vaccine candidate (the "COVID-19 Vaccine") to combat SARS-CoV-2 in Hong Kong and Macau.

Within this collaboration, the Group will provide all relevant support services to Fosun Pharma Group for the marketing, sales and distribution of the COVID-19 Vaccine in the Hong Kong and Macau SAR regions through its extensive sales and distribution network amongst hospitals and medical clinics in the region.

The COVID-19 Vaccine is an mRNA based biological product for preventing the Covid-19 infection developed by German biotech company BioNTech SE in joint collaboration with its US partner, Pfizer. In the final efficacy analysis of its ongoing Phase 3 study, the COVID-19 Vaccine met all of the study's primary efficacy endpoints indicating an efficacy rate of 95% ($p < 0.0001$) in participants without prior SARS-CoV-2 infection and also in participants with and without prior SARS-CoV-2 infection, in each case measured from 28 days after the first dose, 7 days after the second dose. Efficacy was consistent across age, gender, race and ethnicity demographics and observed efficacy in adults over 65 years of age was over 94%. Study data demonstrates the COVID-19 Vaccine was well tolerated across all populations with over 43,000 participants enrolled with no serious safety concerns observed (<https://investors.biontech.de/news-releases/news-release-details/pfizer-and-biontech-conclude-phase-3-study-covid-19-vaccine>).



Proposed Spin-Off and Separate Listing of JBM (Healthcare) Limited on the Main Board of the Stock Exchange of Hong Kong Limited

The Group proposes to spin-off and separately list its branded healthcare business on the Main Board of the Stock Exchange by way of a distribution in specie to qualifying shareholders of a portion of the shares of JBM (Healthcare) Limited ("JBM") – a subsidiary of the Company under the Group – and a public offer in Hong Kong of new JBM shares. The separate listing of the JBM shares constitutes a spin-off of JBM by the Company under PN15. The Company has submitted a spin-off proposal to the Stock Exchange pursuant to PN15 and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off.

On 23 September 2020, JBM submitted a listing application form (Form A1) to the Stock Exchange to apply for the listing of, and permission to deal in, the JBM shares on the Main Board of the Stock Exchange.

As of 30 September 2020, the Company indirectly holds 85.04% of JBM shares. Upon completion of the Proposed Spin-off, the Company intends to hold not less than 50% of JBM which will remain a subsidiary of the Company.

The spin-off group (JBM and its subsidiaries) is principally engaged in the manufacturing and trading of branded healthcare products, comprising of consumer healthcare products and proprietary Chinese medicines.

The Board considers that the proposed spin-off will be in the interests of the Company and the Shareholders taken as a whole and will better position both the remaining group and the spin-off group for further growth in their respective businesses.

Remuneration Policy

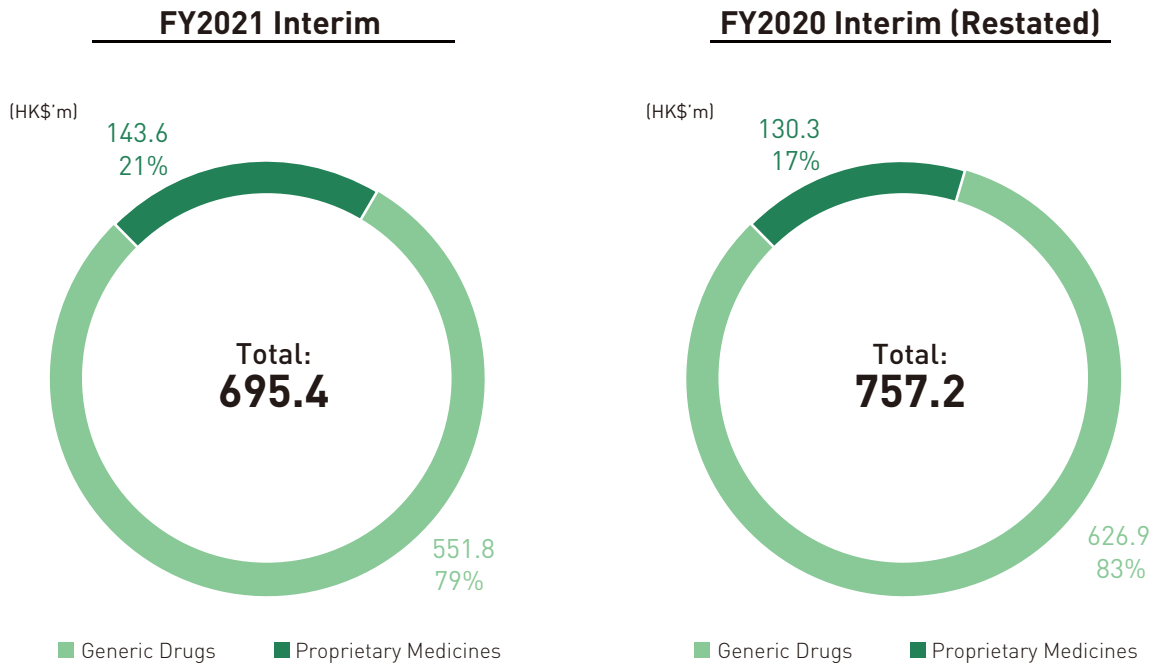
As of 30 September 2020, the Group has a total of 1,915 employees (compared to 1,911 employees as of 30 September 2019). For the Reporting Period, the total staff costs of the Group was HK\$212.6 million, compared to HK\$225.3 million for the six months ended 30 September 2019 due to the implementation of various cost rationalisation measures since April 2020. All of the Group's employees have entered into standard employment contracts with the Group. Remuneration packages for the Group's employees in general comprise one or more of the following elements: basic salary, sales-related incentives, productivity-related incentives and work performance bonuses. The Group sets out performance attributes for its employees based on their positions and job functions. It periodically reviews their work performance against the Group's strategic objectives and targets. The results of such reviews are taken into consideration when assessing salary adjustments, bonus awards, promotions, staff development plans and training needs. The Group provides various benefit schemes to its employees including annual leave entitlement, mandatory provident fund, group medical insurance and life insurance. A workers union has been established for the Group's employees in China according to local labour laws. As of 30 September 2020, the Group has not experienced any strikes or any labour disputes with its employees which would likely have had a material impact on its business.

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

FINANCIAL REVIEW

Revenue

Revenue by Operating Segments



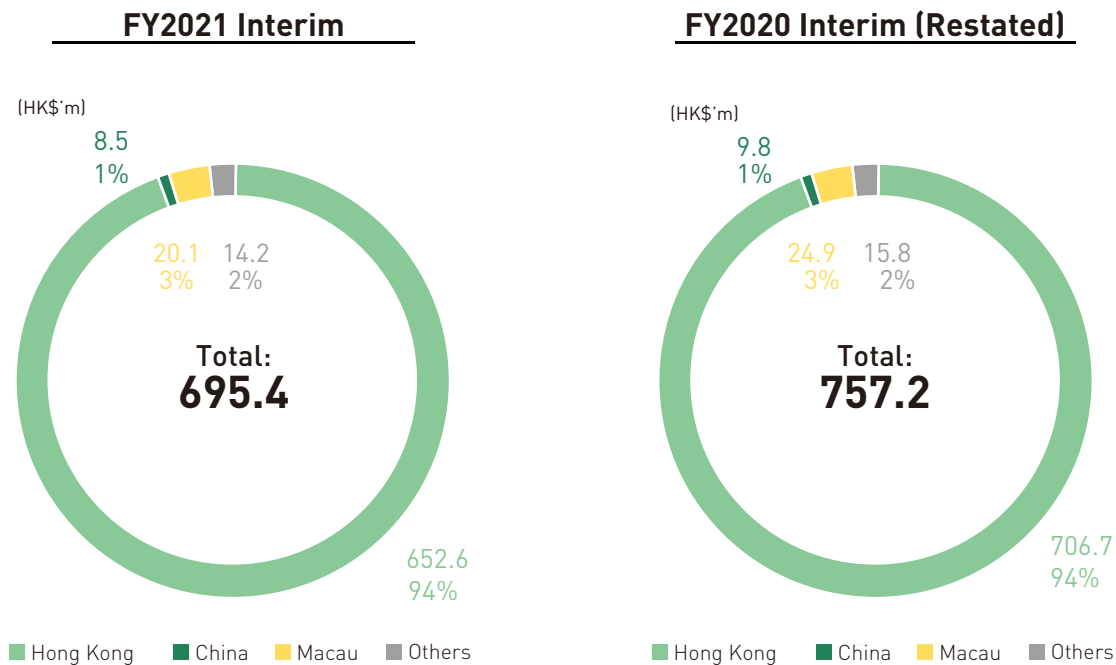
The decrease in revenue of HK\$61.8 million or 8.2% compared to FY2020 Interim was due to the decrease in revenue of HK\$75.1 million in generic drugs, partially compensated by the increase of HK\$13.3 million in proprietary medicines. Revenue split of the two segments are at the ratio of 79% and 21%.

In the generic drugs segment, the Covid-19 pandemic caused significant reduction of private clinic patients due to pandemic-control measures, as well as the early end of flu season as a result of the mask-wearing practices of the public for infection prevention, which in turn impacted the sales in Private Sector. Despite the difficult market sentiment, Public Sector achieved a modest increase in revenue, attributed to the award of new public tenders as well as the increasing usage of essential medicines resulted from aging population and prevalence in chronic diseases.

In the proprietary medicines segment, the increase in revenue was mainly resulted from the incremental contribution of the newly acquired subsidiaries engaged in the proprietary Chinese medicine business.

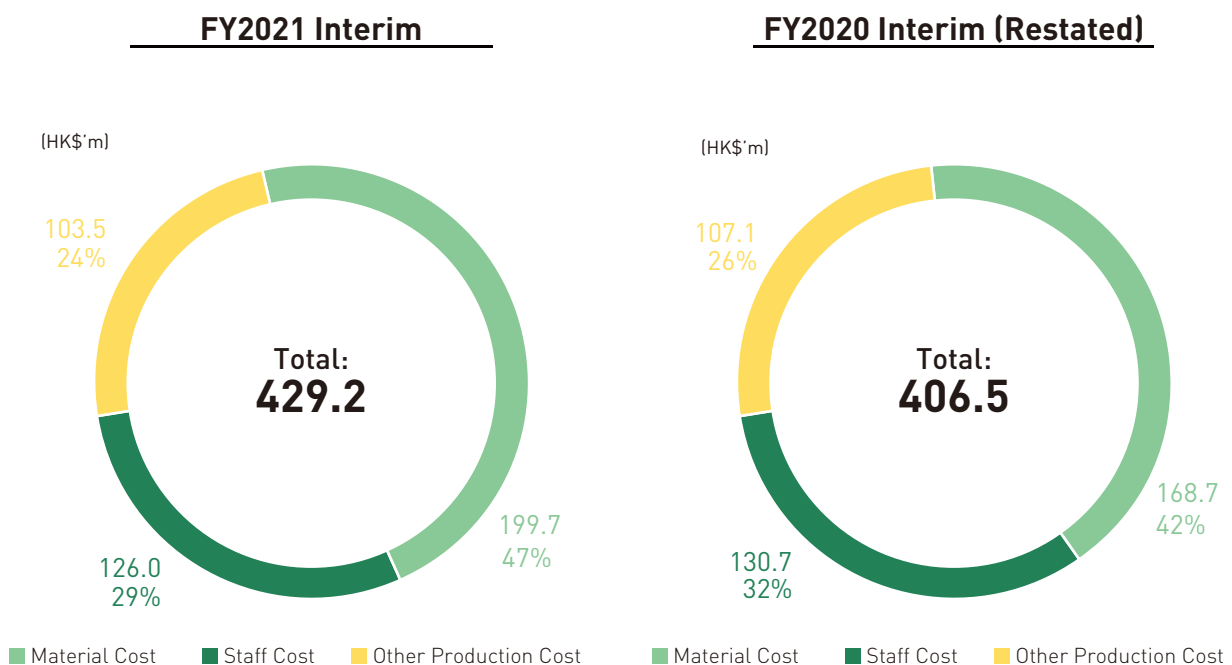


Revenue by Geographic Location



Hong Kong continued to be the major revenue stream, representing 94% of the total revenue with a decrease of HK\$54.1 million compared to FY2020 Interim. The revenue in China decreased by HK\$1.3 million, mainly due to the decrease in sales of Puji Pills and Flying Eagle Woodlok Oil as a result of change in distributors. The revenue decrease in Macau by HK\$4.8 million was mainly due to the decrease in sales of proprietary medicines resulted from closure of border checkpoints connecting Macau with China. The slight decrease in revenue from other overseas markets by HK\$1.6 million was mainly due to the decrease in sales in South America.

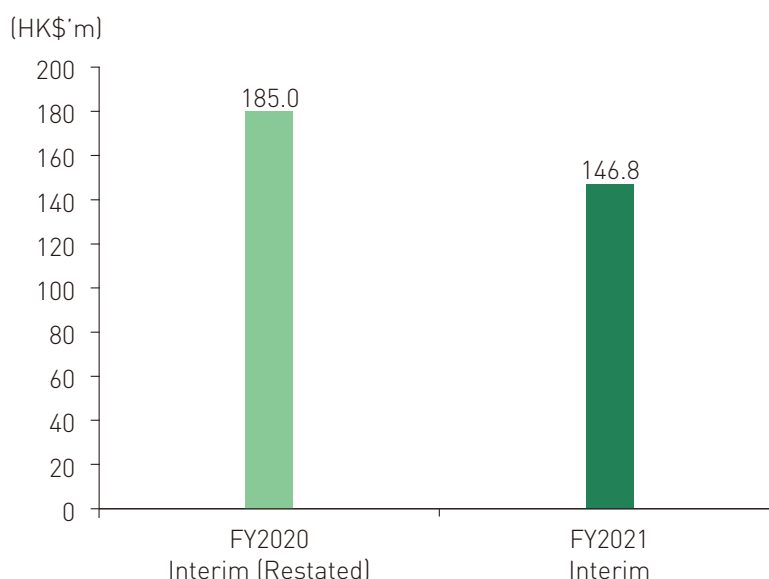
Cost of Sales



Material cost continued to be the major component contributing approximately 47% of the total cost of sales. The increase in cost of sales of HK\$22.7 million or 5.6% was mainly due to the increase in revenue split from in-licensed products and contract-manufacturing products, which had higher material costs than self-manufactured products.

The decrease in staff cost of HK\$4.7 million or 3.6% and other production cost of HK\$3.6 million or 3.4% were generally in line with the overall sales trend of the Group.

Profit from Operations



The profit from operations dropped by HK\$38.2 million or 20.6% to HK\$146.8 million was mainly due to decrease in gross profit of HK\$84.4 million and one-off spin-off listing expense of HK\$7.0 million, which was compensated partially by the Employment Support Scheme subsidy from the Hong Kong Government of HK\$55.8 million during the Reporting Period.

Finance Costs

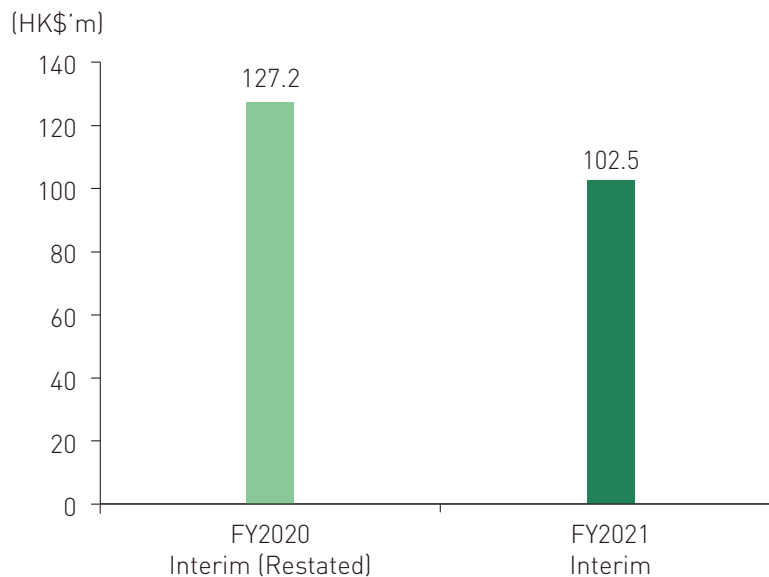
The decrease in finance costs was mainly attributable to reduction of amortisation costs resulted from early redemption of the convertible notes during FY2020 Interim.

Income Tax

The decrease in income tax primarily reflected the lower profit before taxation generated during the Reporting Period. The decrease in effective tax rate was mainly due to the non-taxable Employment Support Scheme subsidy recognised during the Reporting Period.



Profit Attributable to Shareholders



The decrease in profit attributable to shareholders mainly 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\$182.7 million arising from the acquisitions of properties used by our pharmaceutical manufacturing plants and the fair value adjustment in investment properties of HK\$5.6 million, offset partially by depreciation of HK\$70.2 million and disposals of other property, plant and equipment with net book value of HK\$9.7 million.

Intangible assets

The increase in intangible assets was principally attributable to the additions of HK\$17.4 million arising from the distribution rights along with the capitalisation of development costs of HK\$4.4 million, offset partially by amortisation of HK\$18.7 million and disposals with net book value of HK\$1.0 million.

Inventories

The increase in inventories by HK\$14.3 million or 3.9% mainly reflected the slight slowdown of inventory movement due to the reduction in overall sales.

Cash and cash equivalents

Approximately 97.0% of cash and cash equivalents as at 30 September 2020 were denominated in Hong Kong dollars (as at 31 March 2020: 88.4%), while the remaining balance was denominated in Euros, United States dollars, Renminbi, Taiwan dollars and Singapore dollars.

Liabilities

Bank loans

The bank loans as at 30 September 2020 were generally at the same level as that of 31 March 2020. As at 30 September 2020, all bank loans of the Group were denominated in Hong Kong dollars.

Use of Proceeds

Use of IPO proceeds

Net proceeds of HK\$695,540,000 were raised from the initial public offering of the Company (included proceeds from the over-allotment option exercised by the underwriter amounted to HK\$98,438,000 and after the deduction of underwriting fees, commissions and expenses paid by the Company in connection with the initial public offering) (the "IPO Proceeds"). There has not been any change to the intended use of the IPO Proceeds or the allocated amount as disclosed in the Prospectus issued by the Company.

The table below sets forth the status of utilisation of the IPO Proceeds as at 31 March 2020 and 30 September 2020 respectively, and the expected timeline of the use of the unutilised IPO Proceeds:

Use of IPO Proceeds as set out in the Prospectus	Proposed application HK\$'000	As at 31 March 2020		As at 30 September 2020		Expected timeline for utilising the remaining IPO Proceeds
		Actual utilised amount HK\$'000	Unutilised amount HK\$'000	Actual utilised amount HK\$'000	Unutilised amount HK\$'000	
Acquisitions – Expansion of businesses in generic drugs and proprietary medicines	139,108	139,108	–	139,108	–	N/A
Acquisitions – Enhancement of distribution network	104,331	90,288	14,043	90,288	14,043	On or before 31 March 2022
Acquisitions – Intangible assets	69,554	69,554	–	69,554	–	N/A
Capital investments – Upgrading of manufacturing plants and facilities	113,197	113,197	–	113,197	–	N/A
Capital investments – Two specific automated production facilities	12,000	12,000	–	12,000	–	N/A
Expansion of bioequivalence clinical studies	94,331	56,510	37,821	62,471	31,860	On or before 31 March 2023
Establishment of a new joint R&D centre with HKIB	10,000	3,920	6,080	4,533	5,467	On or before 31 March 2023
Marketing and advertising	83,465	83,465	–	83,465	–	N/A
General working capital	69,554	69,554	–	69,554	–	N/A
Total	695,540	637,596	57,944	644,170	51,370	

The Group intends to apply the remaining IPO Proceeds according to the plans disclosed in the Prospectus as shown above.

Use of proceeds from issuance of the convertible notes

Net proceeds of HK\$490,352,000 were raised from the issuance of the convertible notes in an aggregate principal amount of HK\$500 million which carried a coupon interest rate of 3.5% p.a. (after the deduction of all related fees and expenses paid by us in connection with the convertible notes of HK\$9,648,000).

The table below sets forth the status of utilisation of the net proceeds raised from the issuance of the convertible notes as at 31 March 2020 and 30 September 2020 respectively.

Use of net proceeds as set out in the Company's announcements dated 6 September 2017 and 3 October 2017	Proposed application HK\$'000	As at 31 March 2020		As at 30 September 2020	
		Actual utilised amount HK\$'000	Unutilised amount HK\$'000	Actual utilised amount HK\$'000	Unutilised amount HK\$'000
Funding potential mergers and acquisitions as well as forming strategic alliances in the Asia Pacific region (Note)	411,352	411,352	–	411,352	–
Supporting in-licensing and direct investment on technologically-oriented bio-pharmaceutical projects	79,000	79,000	–	79,000	–
Total	490,352	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 plans disclosed in our Company's announcements dated 6 September 2017 and 3 October 2017 as shown above.



Use of proceeds from issuance of new shares

Upon completion of the subscription of 200,000,000 shares by Yunnan Baiyao Holdings Company Limited ("Yunnan Baiyao") at the subscription price of HK\$2.06 per share pursuant to a subscription agreement dated 14 August 2018, net proceeds of HK\$411,658,000 were raised from such 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 "Subscription Proceeds"). There has not been any change to the intended use of the Subscription Proceeds or the allocated amount as disclosed in the announcement of the Company dated 14 August 2018 (the "Subscription Announcement").

The table below sets forth the status of utilisation of the Subscription Proceeds as at 31 March 2020 and 30 September 2020 respectively.

Use of Subscription Proceeds as set out in the Subscription Announcement	Proposed application HK\$'000	As at 31 March 2020		As at 30 September 2020	
		Actual utilised amount HK\$'000	Unutilised amount HK\$'000	Actual utilised amount HK\$'000	Unutilised amount HK\$'000
Mergers and acquisitions, strategic alliances and in-licensing of products	205,829	127,251	78,578	205,829	-
Acquisition, expansion and upgrading of operating facilities	164,663	164,663	-	164,663	-
General working capital	41,166	41,166	-	41,166	-
Total	411,658	333,080	78,578	411,658	-

The Subscription Proceeds were used according to the plans disclosed in the Subscription Announcement as shown above.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

The Group consistently adheres to conservative fund management practice. The solid capital structure and financial strength continue to provide a solid foundation for the Group's future business development as well as mergers and acquisitions.

The Group's primary uses of cash are to fund working capital and capital expenditures. During the Reporting Period, the Group funded its cash requirements principally from cash generated from operations, bank borrowings and capital contribution by non-controlling interests to a subsidiary.

CHARGE ON GROUP ASSETS

The carrying value of assets pledged against bank loans increased from HK\$751.4 million as at 31 March 2020 to HK\$830.1 million as at 30 September 2020.

NET GEARING RATIO

The net gearing ratio of the Group (bank loans less cash and cash equivalents, divided by total equity multiplied by 100%) decreased from 43.6% as of 31 March 2020 to 39.5% as of 30 September 2020. The decrease in net gearing ratio was attributable to funds raised through the issuance of new shares to non-controlling interests by JBM 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 of 30 September 2020, the Group did not have any significant contingent liabilities.

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. While the Group has taken out product liability insurance, the insured amount may not be sufficient to cover all damages claimed. The Group has a designated production and quality assurance team to monitor product quality in each plant to ensure they are in compliance with respective specifications.

The Company believes that risk management is essential to the Group's efficient and effective operation. The Company's management assists the Board in evaluating material risk exposure in the Group's business, participating in formulating appropriate risk management and internal control measures, and ensuring its implementation in the daily operational management.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is primarily engaged in manufacturing generic drugs and proprietary medicines, a line of business that does not have any material impact on the environment. The key environmental impact from the Group's operation are related to electricity, water and paper consumption. The Group is fully aware of the importance of sustainable environmental development, and has implemented a number of measures to encourage environmental protection and energy conservation.

During the Reporting Period, there was no significant regulatory non-compliance with applicable environmental laws and regulations.

COMPLIANCE WITH LAWS AND REGULATIONS

During the Reporting Period, the Group is in compliance with the applicable laws and regulations which have significant impacts on the Group in all material respects.



OTHER INFORMATION

CORPORATE GOVERNANCE HIGHLIGHTS

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as its own code of corporate governance.

During the Reporting Period, the Company has complied with all the code provisions of the CG Code and adopted most of the best practices set out therein, except for the following provision:

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

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

The Board will continue to review and consider splitting the roles of chairman of our Board and the chief executive officer of the Company at an appropriate time, taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions of the Directors. Having made specific enquiry with the Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities throughout the Reporting Period.

AUDIT COMMITTEE

The Board has established an audit committee (the "Audit Committee") which comprises three independent non-executive Directors and a non-executive Director, namely Mr. Young Chun Man, Kenneth (Chairman), Professor Lam Sing Kwong, Simon, Dr. Lam Kwing Tong, Alan and Professor Wong Chi Kei, Ian. 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.

REVIEW OF INTERIM RESULTS

The interim results for the six months ended 30 September 2020 are unaudited, but have been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants, whose review report is included on page 25.

The Audit Committee, together with management of the Company, has also reviewed the interim results for the six months ended 30 September 2020.

INTERIM DIVIDEND

The Board recommends the payment of an interim dividend per ordinary share for the six months ended 30 September 2020 of HK0.8 cent for the total amount of approximately HK\$15.5 million (six months ended 30 September 2019: HK2.0 cents). The interim dividend will be paid on 6 January 2021 (Wednesday) to shareholders whose names appear on the register of members of the Company on 22 December 2020 (Tuesday), the record date. The details of interim dividend of the Group are set out in note 9 of the unaudited interim financial report.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of shareholders of the Company to receive the interim dividend, the register of members of the Company will be closed from 21 December 2020 (Monday) to 22 December 2020 (Tuesday), both days inclusive, during which period no transfer of shares of the Company will be registered. All transfer documents, accompanied by the relevant share certificates, shall be lodged with the Company's Hong Kong Branch Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 18 December 2020 (Friday).

CHANGE OF INFORMATION ON DIRECTORS

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

- (a) **Professor Wong Chi Kei, Ian**, an independent non-executive Director of the Company, has entered into a letter of appointment with the Company for a renewal term of three years from 1 December 2020.
- (b) **Professor Lam Sing Kwong, Simon**, a non-executive Director, has been appointed as a member of the audit committee and chairman of the risk management committee of the Company with effect from 1 August 2020.
- (c) **Mr. Young Chun Man, Kenneth**, an independent non-executive Director, ceased to be a fellow of The Taxation Institute of Hong Kong and a certified tax adviser of The Taxation Institute of Hong Kong since 2020.



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

As at 30 September 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 provision 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	58.88%	Long position
Mr. Yim Chun Leung	Beneficial owner	29,820,000	1.54%	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.

(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 30 September 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	Approximate percentage of issued voting shares
Mr. Yim Chun Leung	Beneficial owner	4,500,000	0.23%
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 30 September 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 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 30 September 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	14.80%	Long position
Kingshill ⁽²⁾	Beneficial owner	850,684,000	43.98%	Long position
Trust Co ⁽²⁾	Interest in controlled corporation	850,684,000	43.98%	Long position
UBS Trustees (B.V.I.) Limited ⁽²⁾	Trustee	850,684,000	43.98%	Long position
Mr. Sum ⁽¹⁾⁽²⁾⁽³⁾	Beneficial owner Interest in controlled corporation Settlor of trusts Beneficiary of trusts	1,138,976,000	58.88%	Long position
Yunnan Baiyao Group ⁽⁴⁾	Beneficial owner	200,000,000	10.34%	Long position
Longjin Investments Limited ⁽⁵⁾	Beneficial owner	157,050,000	8.11%	Long position
Mr. Lau Wing Hung ⁽⁵⁾	Interest in controlled corporation	157,050,000	8.11%	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) Mr. Sum is the registered and beneficial owner of 2,000,000 shares of the Company.
- (4) 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.
- (5) Longjin Investments Limited ("Longjin") is owned as to 75% by Mr. Lau Wing Hung ("Mr. Lau"). By virtue of SFO, Mr. Lau is deemed to be interested in the 157,050,000 shares held by Longjin.

* For purpose of identification only.



Save as disclosed above, as at 30 September 2020, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

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 30 September 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 interim report.

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

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

The 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 30 September 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 30 September 2020 were as follows:

	Number of options outstanding at 1 April 2020	Number of options granted during the Reporting Period	Number of ordinary shares acquired upon exercise of options during the Reporting Period	Number of options lapsed or forfeited during the Reporting Period	Number of options cancelled during the Reporting Period	Number of options outstanding at 30 September 2020	Date granted	Exercise price per ordinary share	Exercisable period
Directors:									
Mr. Yim Chun Leung	4,500,000	-	-	-	-	4,500,000	30 June 2017	HK\$2.06	from 1 October 2019 up to 30 September 2020
Ms. Pun Yue Wai	1,500,000	-	-	-	-	1,500,000	30 June 2017	HK\$2.06	from 1 October 2019 up to 30 September 2020
sub-total	6,000,000	-	-	-	-	6,000,000			
All other employees:									
	3,880,000	-	-	-	-	3,880,000	30 June 2017	HK\$2.06	from 1 October 2019 up to 30 September 2020
	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	4,880,000	-	-	-	-	4,880,000			
Grand Total	10,880,000	-	-	-	-	10,880,000			

The share options granted on 30 June 2017 are valid and exercisable within a validity period from 1 October 2019 up to 30 September 2020 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. 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.



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 (the "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 30 September 2020, the Trustee has purchased 18,544,000 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.

Review Report to the Board of Directors

Review report to the board of directors

Jacobson Pharma Corporation Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 26 to 46 which comprises the consolidated statement of financial position of Jacobson Pharma Corporation Limited (the "Company") as of 30 September 2020 and the related consolidated statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 September 2020 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

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

27 November 2020



Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2020 – unaudited (Expressed in Hong Kong dollars)

	Note	Six months ended 30 September	
		2020 HK\$'000	2019 (Note) HK\$'000 (Restated)
Continuing operations			
Revenue	4	695,425	757,207
Cost of sales		(429,168)	(406,549)
Gross profit		266,257	350,658
Other net income	5	71,047	24,062
Selling and distribution expenses		(91,730)	(92,203)
Administrative and other operating expenses		(98,749)	(97,471)
Profit from operations		146,825	185,046
Finance costs	6(A)	(15,700)	(30,412)
Share of profits less losses of associates		(1,547)	2,925
Share of losses of joint ventures		(1,765)	–
Profit before taxation	6	127,813	157,559
Income tax	7	(15,363)	(27,786)
Profit for the period from continuing operations		112,450	129,773
Discontinued operations			
Profit for the period from discontinued operations		3	2,106
Profit for the period		112,453	131,879
Other comprehensive income for the period			
<i>Item that will not be reclassified to profit or loss, net of nil tax:</i>			
Revaluation of financial assets at fair value through other comprehensive income		23,252	(1,225)
<i>Item that may be reclassified to profit or loss, net of nil tax:</i>			
Exchange differences on translation of financial statements of operations outside Hong Kong		196	(1,017)
Other comprehensive income for the period		23,448	(2,242)
Total comprehensive income for the period		135,901	129,637
Profit attributable to:			
Shareholders of the Company		102,513	127,218
Non-controlling interests		9,940	4,661
Total profit for the period		112,453	131,879
Profit attributable to shareholders of the Company arises from:			
– Continuing operations		102,510	125,744
– Discontinued operations		3	1,474
		102,513	127,218
Total comprehensive income attributable to:			
Shareholders of the Company		125,961	124,976
Non-controlling interests		9,940	4,661
Total comprehensive income for the period		135,901	129,637

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2020 – unaudited (Expressed in Hong Kong dollars)

	Note	Six months ended 30 September	
		2020	2019
		HK\$'000	(Note) HK\$'000 (Restated)
Total comprehensive income attributable to shareholders of the Company arises from:			
– Continuing operations		125,958	123,502
– Discontinued operations		3	1,474
		125,961	124,976
		HK cents	HK cents
Earnings per share attributable to shareholders of the Company:			
Basic and diluted	8		
– From continuing operations		5.35	6.25
– From discontinued operations		–*	0.07
Earnings per share for the period		5.35	6.32

* The amount represents less than HK\$0.01 cents.

Note: The results of wholesale and retail segment are classified as discontinued operations of the Group during the six months ended 30 September 2020. In this regard, the Group has restated the comparative information for the six months ended 30 September 2019.

The notes on pages 31 to 46 form part of this interim financial report. Details of dividends payable to shareholders of the Company are set out in note 9.



Consolidated Statement of Financial Position

At 30 September 2020 – unaudited (Expressed in Hong Kong dollars)

	Note	As at 30 September 2020 HK\$'000	As at 31 March 2020 HK\$'000
Non-current assets			
Investment properties	10	416,600	358,000
Other property, plant and equipment	10	1,186,249	1,135,476
Intangible assets		1,312,994	1,310,880
Interests in associates		39,670	23,367
Interests in joint ventures		112,485	92,543
Other non-current assets		92,405	102,657
Other financial assets	12	479,113	376,818
Deferred tax assets		12,982	10,083
		3,652,498	3,409,824
Current assets			
Inventories		385,796	371,456
Trade and other receivables	11	279,185	277,954
Current tax recoverable		13,736	16,788
Other financial assets	12	–	7,687
Cash and cash equivalents	13	479,496	417,993
		1,158,213	1,091,878
Assets of the disposal group classified as held for sale		–	78,498
		1,158,213	1,170,376
Current liabilities			
Trade and other payables	14	182,597	120,158
Bank loans		1,071,160	538,654
Lease liabilities		37,914	47,450
Current tax payable		24,899	10,347
		1,316,570	716,609
Liabilities associated with the disposal group classified as held for sale		–	10,751
		1,316,570	727,360
Net current (liabilities)/assets		(158,357)	443,016
Total assets less current liabilities		3,494,141	3,852,840
Non-current liabilities			
Banks loans		505,074	1,014,982
Lease liabilities		29,039	47,042
Deferred tax liabilities		183,107	184,723
		717,220	1,246,747
NET ASSETS		2,776,921	2,606,093
CAPITAL AND RESERVES			
Share capital	16(A)	19,157	19,170
Reserves		2,623,287	2,518,570
Total equity attributable to shareholders of the Company		2,642,444	2,537,740
Non-controlling interests		134,477	68,353
TOTAL EQUITY		2,776,921	2,606,093

The notes on pages 31 to 46 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2020 – unaudited (Expressed in Hong Kong dollars)

	Attributable to shareholders of the Company										
	Note	Share held for Share			Capital reserve	Exchange reserve	Fair value reserve (non-recycling)	Retained earnings	Total	Non-controlling interests	Total equity
		Share capital	Share premium	Award Scheme							
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
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		-	-	-	-	-	-	(1,406)	(1,406)	-	(1,406)
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 period		-	-	-	-	-	-	127,218	127,218	4,661	131,879
Other comprehensive income		-	-	-	-	(1,017)	(1,225)	-	(2,242)	-	(2,242)
Total comprehensive income for the period		-	-	-	-	(1,017)	(1,225)	127,218	124,976	4,661	129,637
Dividend paid	9(B)	-	-	-	-	-	-	(60,265)	(60,265)	-	(60,265)
Shares held for Share Award Scheme	16(B)	(77)	-	(11,525)	-	-	-	-	(11,602)	-	(11,602)
Equity settled share-based transactions	16(B)	-	-	-	712	-	-	797	1,509	-	1,509
Redemption of convertible notes	15	-	-	-	(52,470)	-	-	18,986	(33,484)	-	(33,484)
Acquisitions of subsidiaries and increase in shareholding in subsidiaries		-	-	-	-	-	-	-	-	23,825	23,825
Incorporation of subsidiaries with non-controlling interests		-	-	-	-	-	-	-	-	4	4
At 30 September 2019		20,079	1,126,716	(11,525)	102,739	2,894	94,976	1,331,017	2,666,896	68,460	2,735,356
At 1 April 2020		19,170	999,895	(23,088)	96,761	3,044	56,517	1,385,441	2,537,740	68,353	2,606,093
Profit for the period		-	-	-	-	-	-	102,513	102,513	9,940	112,453
Other comprehensive income		-	-	-	-	196	23,252	-	23,448	-	23,448
Total comprehensive income for the period		-	-	-	-	196	23,252	102,513	125,961	9,940	135,901
Dividend declared and payable	9(B)	-	-	-	-	-	-	(47,892)	(47,892)	-	(47,892)
Dividends declared by subsidiaries attributable to non-controlling interests		-	-	-	-	-	-	-	-	(3,480)	(3,480)
Shares held for Share Award Scheme	16(B)	(13)	-	(1,488)	-	-	-	-	(1,501)	-	(1,501)
Acquisitions of non-controlling interests	18(A)	-	-	-	(1,717)	-	-	-	(1,717)	1,646	(71)
Capital contribution by non-controlling interests	18(B)	-	-	-	29,853	-	-	-	29,853	67,147	97,000
Partial disposals of subsidiaries resulting in loss of control	19	-	-	-	-	-	-	-	-	(9,129)	(9,129)
Realised gain on disposals of equity investments designated at FVOCI (non-recycling)		-	-	-	-	-	(1,985)	1,985	-	-	-
At 30 September 2020		19,157	999,895	(24,576)	124,897	3,240	77,784	1,442,047	2,642,444	134,477	2,776,921

The notes on pages 31 to 46 form part of this interim financial report.



Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2020 – unaudited (Expressed in Hong Kong dollars)

	Note	Six months ended 30 September	
		2020 HK\$'000	2019 HK\$'000
Operating activities			
Cash generated from operations		232,936	256,856
Income tax (paid)/refunded		(2,328)	355
Net cash generated from operating activities		230,608	257,211
Investing activities			
Payment for purchase of other property, plant and equipment, investment properties and intangible assets		(38,349)	(44,719)
Proceeds from disposals of other property, plant and equipment		262	776
Proceeds from disposals of other financial assets		7,686	–
Net cash outflow from acquisition of subsidiaries under business combination	17(A)	–	(108,124)
Net cash outflow from acquisition of subsidiaries under asset acquisitions	17(B)	(150,030)	–
Payment for acquisition of non-controlling interests		(71)	–
Net cash inflow on disposals of subsidiaries resulting on loss of control		39,254	–
Payment for purchase of other financial assets		(83,669)	(43,958)
Payment for investments in joint ventures		(21,707)	(8,892)
Dividends received from an associate		–	8,460
Other cash flows arising from investing activities		1,209	996
Net cash used in investing activities		(245,415)	(195,461)
Financing activities			
Capital element of lease rentals paid		(25,230)	(28,032)
Interest element of lease rentals paid		(1,108)	(1,295)
Proceeds from bank loans		396,000	1,002,000
Repayment of bank loans		(373,402)	(353,525)
Dividends paid	9(B)	–	(60,265)
Dividends paid by subsidiaries to non-controlling interests		(3,480)	–
Capital contribution by non-controlling interests	18(B)	97,000	–
Redemption of convertible notes	15	–	(500,000)
Payment for shares held for Share Award Scheme		(1,501)	(11,602)
Other cash flows arising from financing activities		(14,592)	(21,462)
Net cash generated from financing activities		73,687	25,819
Net increase in cash and cash equivalents		58,880	87,569
Cash and cash equivalents at 1 April		421,441	629,842
Effect of foreign exchange rate changes		(825)	795
Cash and cash equivalents at 30 September	13	479,496	718,206

The notes on pages 31 to 46 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE INFORMATION

Jacobson Pharma Corporation Limited (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands. The Company is an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in manufacturing and trading of generic drugs and proprietary medicines. The Company's shares were listed on the Main Board of the Stock Exchange on 21 September 2016.

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 27 November 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the consolidated financial statements for the year ended 31 March 2020, except for the accounting policy changes that are expected to be reflected in the consolidated financial statements for the year ending 31 March 2021. Details of any changes in accounting policies are set out in note 3(A).

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019/20 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial statements have been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group at 30 September 2020. The directors consider the basis of preparation is appropriate having regard to the following factors.

Among the current liabilities, there were bank loans contractually due for repayment within one year of HK\$1,071,160,000 as at 30 September 2020. Subsequent to the Reporting Period, the Group has arranged a HK\$300,000,000 bank loan with HK\$45,000,000 and HK\$255,000,000 repayable within and after one year respectively ("refinancing loan"). The refinancing loan has been solely utilised for settling two bank loans which were classified as current liabilities as at 30 September 2020 at carrying value of HK\$300,000,000.

The directors do not expect the bank will demand repayment of the refinancing loan before maturity as the Group has good repayment records and has complied with the relevant covenants related to the banking facilities. In addition, the directors of the Company have carried out a detailed review of the working capital forecast of the Group for the period ending 30 September 2021. Based on the review, the directors consider the Group will have the necessary liquid funds to finance its working capital requirements and it will be able to meet its financial obligations as and when they fall due.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 25.



3 ACCOUNTING POLICIES ADOPTED IN 2021 FINANCIAL STATEMENTS

(A) Changes in accounting policies

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

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendment to HKFRS 16, *Covid-19-related rent concessions*, which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see note 10(A)). There is no impact on the opening balance of equity at 1 April 2020.

(B) Revenue and other income

Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

4 REVENUE AND SEGMENT REPORTING

(A) Revenue

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

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

(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 medicine 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 medicines 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.

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(B) Segment reporting (Continued)

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 the interim financial report.

As discussed in notes 19 and 20, the Group no longer carries on the business of wholesale and retail segment. The results of the segment have been classified as discontinued operations of the Group for the six months ended 30 September 2020 and 2019.

(i) Segment revenue and results

Information regarding the Group's reportable segments as provided to the Group's chief operating decision makers for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Continuing operations						Discontinued operations		Total	
	Generic drugs		Proprietary medicines		Subtotal		Wholesale and retail			
	Six months ended 30 September 2020		Six months ended 30 September 2019		Six months ended 30 September 2020		Six months ended 30 September 2019		Six months ended 30 September 2020	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	551,768	626,867	143,657	130,340	695,425	757,207	14,202	114,479	709,627	871,686
Inter-segment revenue	-	907	566	2,663	566	3,570	-	-	566	3,570
	551,768	627,774	144,223	133,003	695,991	760,777	14,202	114,479	710,193	875,256
Reportable segment profit/(loss) (adjusted EBITDA)	188,158	198,745	45,233	52,695	233,391	251,440	(18)	4,889	233,373	256,329

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

	Continuing operations		Discontinued operations	
	Six months ended 30 September		Six months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)
Revenue				
Reportable segment revenue	695,991	760,777	14,202	114,479
Elimination of inter-segment revenue	(566)	(3,570)	-	-
Consolidated revenue	695,425	757,207	14,202	114,479
Profit				
Reportable segment profit/(loss)	233,391	251,440	(18)	4,889
Elimination of inter-segment profit	-	(361)	-	-
Reportable segment profit/(loss) derived from Group's external customers	233,391	251,079	(18)	4,889
Interest income from bank deposits	1,209	2,758	2	9
Fair value gain on investment properties	5,611	6,900	-	-
Depreciation and amortisation	(88,952)	(83,914)	-	(2,251)
Finance costs	(15,700)	(30,412)	-	(125)
Share of profits less losses of associates	(1,547)	2,925	-	-
Share of losses of joint ventures	(1,765)	-	-	-
Gain on disposals of subsidiaries	2,608	-	-	-
Gain on redemption of convertible notes	-	8,223	-	-
Spin-off listing expense	(7,042)	-	-	-
Consolidated profit/(loss) before taxation	127,813	157,559	(16)	2,522



4 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	
	Six months ended 30 September		Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000 (Restated)	2020 HK\$'000	2019 HK\$'000 (Restated)
Revenue from external customers				
Hong Kong (place of domicile)	652,632	706,653	14,202	114,479
Mainland China	8,473	9,846	-	-
Macau	20,108	24,850	-	-
Singapore	2,700	5,845	-	-
Others	11,512	10,013	-	-
	695,425	757,207	14,202	114,479

The following table sets out information about the geographical location of the Group's other property, plant and equipment, investment properties, intangible assets, prepayment for purchase of 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 asset, in the case of other property, plant and equipment and investment properties and the location of the operation 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.

	As at 30 September 2020 HK\$'000	As at 31 March 2020 HK\$'000
Specified non-current assets		
Hong Kong (place of domicile)	3,053,319	2,922,393
Mainland China	46,847	42,486
Macau	32	50
Taiwan	5,247	5,429
Singapore	2	-
Cambodia	54,956	52,565
	3,160,403	3,022,923

(iv) Information about major customers

For the six months ended 30 September 2020, the Group's customer base includes one customer of the 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 HK\$250,357,000 (six months ended 30 September 2019: HK\$229,693,000).

5 OTHER NET INCOME

	Continuing operations		Discontinued operations	
	Six months ended 30 September		Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000 (Restated)	2020 HK\$'000	2019 HK\$'000 (Restated)
Commission income	562	743	-	-
Interest income from bank deposits	1,209	2,758	2	9
Net foreign exchange loss	(334)	(535)	-	-
Net loss on disposals of other property, plant and equipment and intangible assets	(1,571)	(44)	-	-
Gain on disposals of subsidiaries	2,608	-	-	-
Fair value gain on investment properties	5,611	6,900	-	-
Gain on redemption of convertible notes	-	8,223	-	-
Subcontracting income	3,058	1,257	-	-
Rental income	1,524	2,944	-	-
Government grants	55,797	-	160	-
Others	2,583	1,816	100	41
	71,047	24,062	262	50

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Continuing operations		Discontinued operations	
	Six months ended 30 September		Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000 (Restated)	2020 HK\$'000	2019 HK\$'000 (Restated)
(A) Finance costs				
Interest on bank loans and other borrowings	14,592	29,242	-	-
Interest on lease liabilities	1,108	1,170	-	125
	15,700	30,412	-	125

	Continuing operations		Discontinued operations	
	Six months ended 30 September		Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000 (Restated)	2020 HK\$'000	2019 HK\$'000 (Restated)
(B) Other items				
Amortisation cost of intangible assets	18,712	14,578	-	-
Depreciation				
- owned property, plant and equipment	45,008	43,935	-	91
- right-of-use assets	25,232	25,401	-	2,160
Write-down of inventories	2,838	900	-	-
Equity settled share-based transactions	-	1,509	-	-



7 INCOME TAX

	Continuing operations		Discontinued operations	
	Six months ended 30 September		Six months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000 (Restated)	HK\$'000	HK\$'000 (Restated)
Current tax	19,904	27,235	(19)	416
Deferred taxation	(4,541)	551	-	-
	15,363	27,786	(19)	416

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (six months ended 30 September 2019: 16.5%) to the six months ended 30 September 2020. Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

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\$102,513,000 (six months ended 30 September 2019: HK\$127,218,000) and the weighted average of 1,916,653,000 ordinary shares (six months ended 30 September 2019: 2,012,445,000 shares) in issue during the interim period, calculated as follows:

	Six months ended 30 September	
	2020	2019
	'000	'000
Shares of the Company issued at the beginning of the period	1,916,953	2,015,625
Effect of shares held for Share Award Scheme	(300)	(3,180)
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme during the period	1,916,653	2,012,445

	Six months ended 30 September	
	2020	2019
	HK'000	HK'000 (Restated)
Profit attributable to equity shareholders of the Company arises from:		
– Continuing operations	102,510	125,744
– Discontinued operations	3	1,474
	102,513	127,218

(B) Diluted earnings per share

Diluted earnings per share equals to basic earnings per share for the six months ended 30 September 2020 and 2019 because the potential dilutive ordinary shares outstanding were anti-dilutive.

9 DIVIDENDS

(A) Dividends payable to shareholders attributable to the interim period

	Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000
Interim dividend declared and paid after the interim period of HK0.8 cent per share (six months ended 30 September 2019: HK2.0 cents per share)	15,474	40,313

The interim dividend 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 payable/paid during the interim period

	Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000
Final dividend in respect of the previous financial year, approved and payable during the following interim period, of HK2.5 cents per share (six months ended 30 September 2019: HK3.0 cents per share, approved and paid during the following interim period)	48,356	60,469
Less: Dividend of shares held by Share Award Scheme	(464)	(204)
	47,892	60,265

10 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(A) Right-of-use assets

During the six months ended 30 September 2020, the Group entered into a number of lease agreements for use of warehouses and office buildings, and therefore recognised the additions to right-of-use assets of HK\$6,552,000 (six months ended 30 September 2019: HK\$30,230,000).

During the six months ended 30 September 2020, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of Covid-19 and the amount of Covid-19 rent concessions is HK\$1,097,000.

As disclosed in note 3(A), the Group has early adopted the Amendment to HKFRS 16, *Leases, Covid-19-related rent concessions*, and has applied the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the six months ended 30 September 2020.

(B) Acquisitions and disposals of other property, plant and equipment

During the six months ended 30 September 2020, the Group acquired items of buildings, leasehold improvements, plant and machinery, motor vehicles, and furniture, fixtures and office equipment with a cost of HK\$123,180,000 (six months ended 30 September 2019: HK\$11,941,000). Items of plant and machinery, motor vehicles, and furniture, fixtures and office equipment with a net book value of HK\$881,000 were disposed of during the six months ended 30 September 2020 (six months ended 30 September 2019: HK\$820,000), resulting a loss on disposal of HK\$619,000 (six months ended 30 September 2019: HK\$44,000).

(C) Investment properties

During the six months ended 30 September 2020, the Group acquired investment properties for a consideration of HK\$52,989,000 (six months ended 30 September 2019: HK\$Nil).

The valuations of investment properties fair value as at 30 September 2020 were performed by the Group's independent valuer using the market comparison method. As a result of the valuation, a net gain of HK\$5,611,000 (six months ended 30 September 2019: HK\$6,900,000) has been recognised in the consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2020.



11 TRADE AND OTHER RECEIVABLES

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

	As at 30 September 2020 HK\$'000	As at 31 March 2020 HK\$'000
Less than 1 month	138,406	132,614
1 to 6 months	52,653	65,223
Over 6 months	16,790	2,074
Trade receivables	207,849	199,911
Other receivables	16,908	6,297
Deposits and prepayments	50,939	70,353
Amounts due from associates	2,348	–
Amount due from a joint venture	1,141	1,393
	279,185	277,954

12 OTHER FINANCIAL ASSETS

	As at 30 September 2020 HK\$'000	As at 31 March 2020 HK\$'000
Non-current:		
Equity securities designated at fair value through other comprehensive income ("FVOCI") (non-recycling)		
– Unlisted	205,310	205,310
– Listed in Hong Kong	266,493	164,335
Financial assets measured at fair value through profit or loss ("FVPL")		
– Unlisted	7,310	7,173
	479,113	376,818
Current:		
Financial assets measured at FVPL		
– Listed outside Hong Kong	–	7,687

13 CASH AND CASH EQUIVALENTS

	As at 30 September 2020 HK\$'000	As at 31 March 2020 HK\$'000
Short-term deposits with banks	30,000	2,080
Cash at bank and in hand	449,496	415,913
Cash and cash equivalents in the consolidated statement of financial position	479,496	417,993
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	479,496	421,441

14 TRADE AND OTHER PAYABLES

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 30 September 2020 HK\$'000	As at 31 March 2020 HK\$'000
Less than 1 month	18,346	23,218
1 to 6 months	17,378	12,636
Over 6 months	183	164
Trade payables	35,907	36,018
Salary and bonus payables	54,279	42,975
Payables and accruals for additions of property, plant and equipment	-	1,180
Other payables and accruals	36,048	30,942
Contract liabilities	5,971	6,543
Amount due to a joint venture	2,500	2,500
Dividend payable	47,892	-
	182,597	120,158

15 CONVERTIBLE NOTES

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 fully redeemed principal amounts of HK\$500,000,000 of convertible notes during the six months ended 30 September 2019.

16 CAPITAL AND RESERVES

(A) Share capital

	Number of shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each at 31 March 2020 and 30 September 2020	5,000,000	50,000
Issued ordinary shares of HK\$0.01 each:		
At 1 April 2019	2,015,625	20,156
Shares repurchased	(81,404)	(813)
Shares held for Share Award Scheme	(17,268)	(173)
At 31 March 2020 and 1 April 2020	1,916,953	19,170
Shares held for Share Award Scheme (note 16(B))	(1,276)	(13)
At 30 September 2020	1,915,677	19,157

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.



16 CAPITAL AND RESERVES (CONTINUED)

(B) Equity settled share-based transactions

(i) 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 six months ended 30 September 2020, the Share Award Scheme acquired 1,276,000 shares (six months ended 30 September 2019: 7,700,000 shares) through purchases on the open market. The total amount paid to acquire the shares during the six months ended 30 September 2020 was HK\$1,501,000 (six months ended 30 September 2019: HK\$11,602,000).

(ii) Share Option Scheme

On 30 June 2017, 36,000,000 share options were granted at a consideration of HK\$1 to certain employees, including certain executive directors of the Company and certain directors of subsidiaries of the Company, under the Company's employee share option scheme. Each option gives the holder the right to subscribe for one ordinary share of the Company. These share options are valid and exercisable within a validity period from 1 October 2018 and 2019 up to 30 September 2018, 2019 and 2020 respectively in two tranches. The exercise price is HK\$2.06 per share, being the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets on the date of grant. No option was lapsed during the six months ended 30 September 2020 (six months ended 30 September 2019: 1,500,000).

On 18 October 2017, 1,000,000 share options granted at a consideration of HK\$1 to one employee, under the Company's employee share option scheme. Each option gives the holder the right to subscribe for one ordinary share of the Company. These share options 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. The exercise price is HK\$2.13 per share, being 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 grant.

17 ACQUISITIONS OF SUBSIDIARIES

(A) Business combinations

Step acquisition of Orizen Capital Limited and its subsidiary

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, the 43% equity interest in Orizen Capital Limited ("Orizen"), at a consideration of HK\$113.4 million (the "Step Acquisition"). Orizen is an investment holding company incorporated in the British Virgin Islands (the "BVI") and its subsidiary is principally engaged in the business of manufacturing and trading of concentrated Chinese herbs.

The fair value of the Group's then effective equity holding immediately before the Step Acquisition (the "Existing Shareholdings") 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 Shareholdings 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.

17 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(A) Business combinations (Continued)

Step acquisition of Orizen Capital Limited and its subsidiary (Continued)

Upon the completion of the Step Acquisition on 6 August 2019, Orizen and its subsidiary, 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:

	As at 6 August 2019 HK\$'000
Other property, plant and equipment	1,132
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)
Deferred tax liabilities	(35,920)
Fair value of net assets acquired	199,912
Less: fair value of Existing Shareholdings	(118,730)
Less: non-controlling interests	(23,989)
Goodwill	56,191
Total consideration paid, satisfied in cash	113,384
Less: cash and cash equivalents acquired	(5,260)
Net cash outflow	108,124

Goodwill arose from the acquisition of Orizen represents the control premium paid, the benefits of expected synergies to be achieved from integrating the subsidiary 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.

Orizen and its subsidiary contributed revenue of HK\$17,030,000 and profit of HK\$3,079,000 to the Group for the period from 6 August 2019 to 30 September 2019. If the Step Acquisition had occurred on 1 April 2019, the Group's revenue and profit for the six months ended 30 September 2019 would have been increased by HK\$36,349,000 and HK\$5,383,000 (after deduction of share of profits from 1 April 2019 to 6 August 2019) respectively.

(B) Assets acquisitions

During the six months ended 30 September 2020, the Group acquired certain industrial premises used by our pharmaceutical manufacturing plants through transfer of equity interests in two entities for a consideration of HK\$99.2 million and HK\$51.4 million in April 2020 and May 2020 respectively.



18 ACQUISITIONS OF NON-CONTROLLING INTERESTS AND CAPITAL CONTRIBUTION BY NON-CONTROLLING INTERESTS

(A) Acquisitions of non-controlling interests

- (i) In April 2020, the Group acquired 20% equity interests of a subsidiary at a consideration of HK\$71,000.
- (ii) On 27 July 2020, Sampan, the non-controlling interests of Orizen and JBM (Healthcare) Limited, the intermediate holding company of Orizen entered into a share purchase agreement under which Sampan agreed to purchase 10% of the total issued share capital of Orizen at the consideration of HK\$30,000,000, which was satisfied by way of an allotment and issuance of 30,000,000 new shares by JBM (Healthcare) Limited to the non-controlling interests.

(B) Capital contribution by non-controlling interests

On 27 July 2020, JBM (Healthcare) Limited, an indirect wholly-owned subsidiary of the Company, entered into subscription agreements to issue 97,000,000 new shares to certain independent third parties at the consideration of HK\$97,000,000. The share subscription was completed and the consideration for the share subscription was fully and irrevocably settled by 30 July 2020.

The above two transactions (notes 18(A)(ii) and 18(B)) resulted in the Group's ownership in JBM (Healthcare) Limited to decrease from 100% to 85%. As the Group retains its control over JBM (Healthcare) Limited, JBM (Healthcare) Limited remains as a subsidiary after the transactions.

19 PARTIAL DISPOSALS OF SUBSIDIARIES RESULTING IN LOSS OF CONTROL

Disposals of Hong Ning Hong Limited and its subsidiary

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 BVI with limited liability, an indirectly wholly-owned subsidiary of Tycoon Group Holdings Limited. The sale and purchase agreement was entered into on 1 June 2020 and the disposal was completed on 15 June 2020 at a total consideration at approximately HK\$41,650,000. As at 31 March 2020, the wholesale and retail segment was classified as a disposal group held for sale and included in a discontinued operation.

With the completion to disposing of its wholesale and retail business, which represented a reportable and operating segment, the Group's equity interest in Hong Ning Hong Limited ("HNH") has decreased from 70.0% to 21.0%, resulting in a loss in control over HNH. Accordingly, the investment in HNH was reclassified as interests in associates.

The assets and liabilities of HNH were deconsolidated from the Group's consolidated statement of financial position and the interest in HNH has been accounted for as associates using equity method. The fair value of the 21% retained interest in HNH at the date on which the control was lost is regarded as the cost on initial recognition of the investment in HNH as associates.

19 PARTIAL DISPOSALS OF SUBSIDIARIES RESULTING IN LOSS OF CONTROL (CONTINUED)

Disposals of Hong Ning Hong Limited and its subsidiary (Continued)

Assets and liabilities associated with wholesale and retail business have been classified as held for sale as at 31 March 2020. These assets and liabilities on the date of disposal (15 June 2020) and the reconciliation to gain on disposals are as follows:

	As at 15 June 2020 HK\$'000
Property, plant and equipment	4,318
Goodwill	35,687
Inventories	27,052
Trade and other receivables, deposits and prepayments	11,482
Current tax recoverable	568
Cash and cash equivalents	2,396
Trade payables, other payables and accruals	(11,484)
Lease liabilities	(3,998)
Net assets disposed of	66,021
Gain on disposals of HNH and its subsidiary	HK\$'000
Net assets disposed of	(66,021)
Fair value of 21% retained equity interests held by the Group – classified as interests in associates	17,850
Non-controlling interests	9,129
Cash consideration received	41,650
Gain on disposals of HNH and its subsidiary	2,608
Net cash inflow arising on disposal:	
Cash consideration received	41,650
Cash and cash equivalents disposed of	(2,396)
Net cash inflow	39,254

20 DISPOSAL GROUP AND DISCONTINUED OPERATIONS

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 HK\$'000
Assets of the disposal group classified as held for sale	78,498
Liabilities associated with the disposal group classified as held for sale	10,751



20 DISPOSAL GROUP AND DISCONTINUED OPERATIONS (CONTINUED)

The results of the discontinued operations for six months ended 30 September 2020 are set out below:

	Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000
Revenue	14,202	114,479
Cost of sales	(13,227)	(106,620)
Gross profit	975	7,859
Other net income	262	50
Selling and distribution expenses	(1,164)	(4,881)
Administrative and other operating expenses	(89)	(381)
(Loss)/profit from operations	(16)	2,647
Finance costs	-	(125)
(Loss)/profit before taxation	(16)	2,522
Income tax	19	(416)
Profit for the period from discontinued operations	3	2,106
Profit attributable to:		
Shareholders of the Company	3	1,474
Non-controlling interests	-	632
	3	2,106
Cash flow		
Operating cash (outflows)/inflows	(440)	1,505
Investing cash inflows	2	9
Financing cash outflows	(614)	(2,365)
Net cash outflows	(1,052)	(851)

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(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 30 September 2020.

	Fair value at 30 September 2020 HK\$'000	Fair value measurements at 30 September 2020 categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<i>Financial assets:</i>				
Financial assets at FVPL				
- Unlisted	7,310	-	7,310	-
Financial assets at FVOCI				
- Unlisted	205,310	-	205,310	-
- Listed in Hong Kong	266,493	266,493	-	-
	479,113	266,493	212,620	-

	Fair value at 31 March 2020 HK\$'000	Fair value measurements at 31 March 2020 categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<i>Financial assets:</i>				
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	-	-
	384,505	172,022	212,483	-

There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 during the six months ended 30 September 2020. 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.

(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.



22 CAPITAL COMMITMENTS

Capital commitments outstanding at the end of the Reporting Period not provided for in the interim financial report are as follows:

	As at 30 September 2020 HK\$'000	As at 31 March 2020 HK\$'000
Authorised and contracted for		
– Purchase of non-current assets	42,097	51,694
– Acquisition of a subsidiary	-	79,320
	42,097	131,014

23 MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel emoluments

Emoluments for key management personnel of the Group, who are also the directors of the Company, are as follows:

	Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000
Short-term employee benefits	4,208	4,010
Post-employment benefits	159	178
Equity compensation benefits	-	764
	4,367	4,952

24 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

In October 2020, the Group entered into a sale and purchase agreement with a joint venture partner to acquire its 50% equity interests in a pharmaceutical manufacturing company at a consideration of approximately HK\$93.4 million. The Group held 50% effective interests in the target company and its subsidiary as of 30 September 2020, which became wholly-owned subsidiaries of the Group after the acquisition. The target company and its subsidiary own a PIC/S GMP accredited production facility for generic drugs and relevant product licenses in Hong Kong, which will help raise the Group's market share in the generic drugs business segment.

25 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to the disclosure requirement in respect of the discontinued operation set out in note 20. Accordingly, the comparative figures in the consolidated statement of profit or loss have been restated.

Glossary

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

“2020 Interim Report”	the interim report of the Company for the six months ended 30 September 2020
“adjusted EBITDA”	earnings before interest, taxes, depreciation and amortisation, where “interest” is regarded as including interest income and interest expenses and “depreciation and amortisation” is regarded as including impairment losses on non-current assets, further adjusted for non-recurring items not attributable to the operations of individual segments
“adjusted EBITDA margin”	adjusted EBITDA divided by revenue and multiplied by 100%
“Board”	Board of Directors
“CG Code”	Corporate Governance Code as amended from time to time contained in Appendix 14 to the Listing Rules
“China” or “Mainland China” or “the PRC”	the People’s Republic of China excluding, for the purpose of this interim results announcement, 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
“FY2020 Interim”	the six months ended 30 September 2019
“FY2021”	the year ending 31 March 2021
“FY2021 Interim” or “Reporting Period”	the six months ended 30 September 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
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKIB”	Hong Kong Institute of Biotechnology
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Jacobson”, “the Group”, “our Group”, “we”, “us”, or “our”	the Company and its subsidiaries
“Kingshill”	Kingshill Development Limited, a limited liability company incorporated under the laws of BVI on 8 July 1998, and one of our Controlling Shareholders
“Listing”	the listing of the Shares on the Main Board
“Listing 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
“Model Code”	Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules



“Mr. Sum”	Mr. Sum Kwong Yip, Derek, our chairman, executive Director, chief executive officer and one of our controlling shareholders
“net debts”	bank loans less cash and cash equivalents
“net gearing ratio”	net debts divided by total equity multiplied by 100%
“PIC/S”	two international instruments, the Pharmaceutical Inspection Convention and the Pharmaceutical Inspection Co-operation Scheme, which seek to promote constructive co-operation in the field of GMP between the participating authorities in different geographic markets
“PIC/S GMP”	Good Manufacturing Practice in accordance with the PIC/S GMP Guide issued by PIC/S
“PN15”	Practice Note 15 to the Listing Rules
“Private Sector”	refers to non-Public Sector
“Prospectus”	the prospectus issued by the Company dated 8 September 2016
“Public Sector”	refers to all public institutions and a number of public institutions and clinics in Hong Kong
“Queenshill”	Queenshill Development Limited, a limited liability company incorporated under the laws of BVI on 12 December 2012
“R&D”	research and development
“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
“Shareholder(s)”	holder(s) of Shares
“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