Embrace Challenges And Advance On Transformation

JACOBSON PHARMA CORPORATION LIMITED

Incorporated under the laws of the Cayman Islands with limited liability

Stock Code : 2633

Annual Report 2021

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Non-executive Director
Professor Lam Sing Kwong, Simon

Independent Non-executive Directors
Dr. Lam Kwing Tong, Alan
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. Yu Chun Kau

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.
Chong Hing Bank Limited
Standard Chartered Bank (Hong Kong)
Limited
The Hongkong and Shanghai Banking
Corporation Limited

PUBLIC RELATIONS CONSULTANT

Strategic Public Relations Group

INVESTOR RELATIONS

Email: jacobsonpharma@sprg.com.hk

STOCK CODE

2633

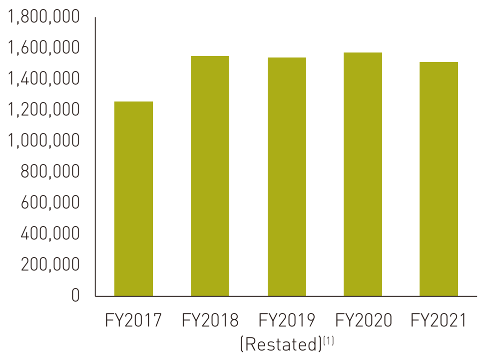
COMPANY WEBSITE

www.jacobsonpharma.com

FINANCIAL HIGHLIGHTS

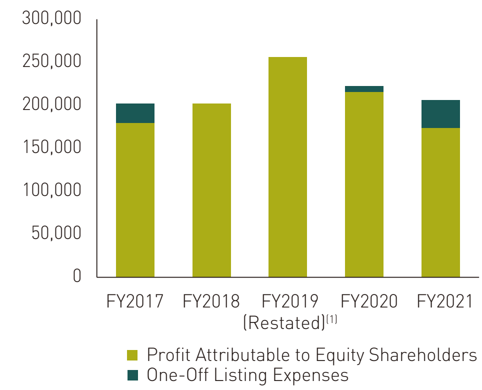
Revenue

(HK$'000)



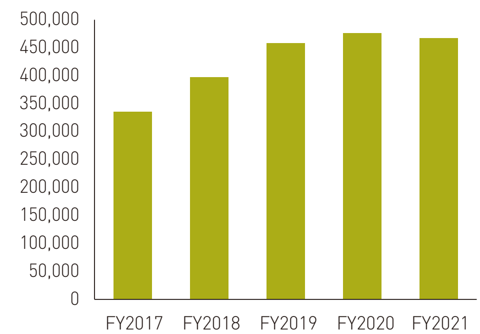
Adjusted Profit Attributable to Equity Shareholders

(HK$'000)



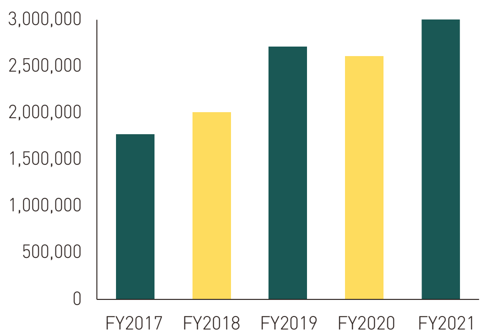
Adjusted EBITDA

(HK$'000)



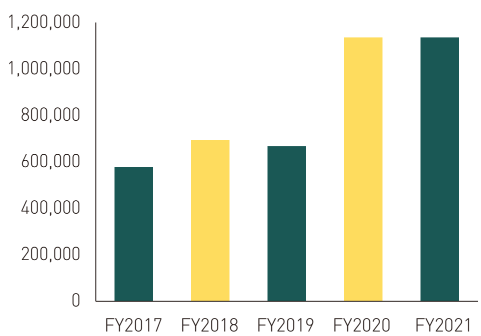
Net Assets

(HK$'000)

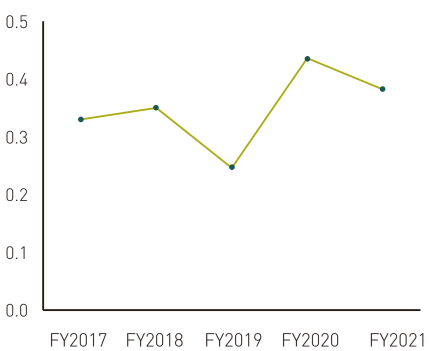


Net Debts

(HK$'000)



Net Gearing Ratio



	Year ended 31 March 2021 HK$'000	Year ended 31 March 2020 (Restated)[2] HK$'000	Change
Revenue from continuing operations			
– Generic Drugs	1,048,757	1,189,917	-11.9%
– Branded Healthcare	397,158	381,542	+4.1%
Total	1,445,915	1,571,459	–8.0%
Gross profit	561,083	689,978	–18.7%
Gross profit margin (%)	38.8%	43.9%	
Profit attributable to equity shareholders of the Company	173,713	215,631	-19.4%
Profit margin attributable to equity shareholders of the Company (%)	12.0%	13.7%	
Adjusted EBITDA[3]	466,797	476,246	-2.0%
Adjusted EBITDA margin (%)[4]	32.3%	30.3%	
Return on equity (%)[5]	6.8%	8.3%	

	As at 31 March 2021 HK$'000	As at 31 March 2020 HK$'000	Change
Total assets	4,867,150	4,580,200	+6.3%
Total liabilities	2,007,041	1,974,107	+1.7%
Total equity	2,860,109	2,606,093	+9.8%

(1) The wholesale and retail segment has been classified as discontinued operations of the Group for the years ended 31 March 2021, 2020 and 2019. 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) During the year ended 31 March 2021, the Group completed the spin-off listing of its branded healthcare business, which comprised branded medicines, proprietary Chinese medicines and health and wellness products. For the purpose of segment reporting, the Group reviewed the reportable segments and identified branded healthcare as a reportable segment. The segment information for the year end 31 March 2020 for comparative purpose have been restated.

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

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

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

"Every single day, we help improve the health of people in and around Hong Kong by developing, manufacturing & supplying essential medicines and consumer healthcare products for those who need them."

2020 was a year full of unprecedented challenges. The pandemic had a tremendous social, economic and healthcare impact upon those from every walk of life. Jacobson took measured steps to protect our staff and associates, maintain supplies of our essential medicines to patients, and ensure business continuity. I am proud of the way our management has responded to support our customers, the healthcare systems, and our people in challenging circumstances. We maintained the supply of medicines to patients without any disruptions while still advancing our pipelines and pivoting to new ways of engaging with customers.

Delivering on our strategy supported our financial performance in FY2021. Although the pandemic affected demand in some therapeutic areas, in particular certain branded medicines that rely on tourist consumption, strength in our key products helped us post a total revenue of HK$1,445.9 million, narrowly contracted by 8.0% year-on-year. Our operational resilience and ability to cater to a streamlined cost structure helped contribute to net earnings of HK$173.7 million despite the difficult market sentiments.

Staying Focused While Transforming for Greater Strength

With our robust manufacturing capabilities, excellent quality records and proven ability to commercialise, Jacobson is well-poised to build on this position of strength by showing our determination to lead our pipeline strategy, deliver continued growth and forge new grounds in cross-border e-commerce channels. We remain steadfast in our transformation journey, building new pathways of growth while simultaneously focusing on our strategic priorities.

As we review our performance for the year, I feel proud of the resilience and spirit of our people who continued to make progress in developing new formulae, enriching our portfolio through targeted in-licensing, and making headway on our strategic priorities.

We deliver performance by investing effectively in our business and our people as well as executing competitively. Our ability to launch new products and grow sales from our existing portfolio is central to our commercial sustainability. Our specialty medicines business is one of the key initiatives in this transformation process, targeting a specialisation driven business platform to create a competitive advantage and drive long-term growth. The purpose of this strategy is to build a portfolio of differentiated medicines and make them accessible to those who need them and to keep people healthy with our scientific and technical know-how.

In FY2021, we launched a number of specialty medicines including Arsenic Trioxide Oral Solution, Dihydrocodeine Tablet, Perindopril Tablet and Atomoxetine Capsule. Among these, the successful launch of Arsenic Trioxide Oral Solution is a testament to our reformulation and manufacturing capabilities. This oral dosage formulation is the first ever Arsenic Trioxide having been granted market authorisation by a competent health regulatory authority. Arsenic Trioxide is a treatment primarily for Acute Promyelocytic Leukaemia and was developed in joint collaboration with the Faculty of Medicine of the University of Hong Kong. Our plan is to broaden the product's therapeutic indications and to secure market authorisation in more countries notably the United Kingdom and Singapore through continued clinical studies.

Strategies for the Creation of Two Forward-looking Companies

We remain firmly on track with our plans to separate into two new and forward-looking companies through a spin-off of our self-care consumer-health (SCCH) business from the Group. On 5 February 2021, we successfully listed the spun-off business, JBM Healthcare, on the Main Board. This separation serves as a catalyst to reset the operational capabilities and cost base to present a value-creation opportunity to both entities. Through the spin-off, we now have two separate platforms, one focuses on generics and specialty medicines while the other focuses principally on self-care consumer-health offerings. This facilitates a sharpened market focus with dedicated resources to encourage faster growth. With two distinct investment identities, it also allows direct access to capital markets for each of the respective businesses. In a nutshell, the spin-off provides a clear pathway to reshape the Group in a way that benefits the shareholders, patients and consumers alike.

Our People and Culture

As I write this letter in the middle of 2021, the world still remains in the grip of the pandemic. However, we have reasons to be optimistic due to the roll-out and execution of the vaccination program around the globe. At Jacobson, we took great pride in playing a part in introducing the Fosun Pharma/BioNTech Comirnaty COVID-19 mRNA Vaccine ("**Fosun BioNTech Comirnaty Vaccine**") into the markets of Hong Kong and Macau. I am particularly thankful for the dedicated efforts of our professional pharmacist teams who worked diligently with both Fosun Pharma and BioNTech SE in setting up the systems for regulatory compliance, pharmacovigilance and medical information dissemination. These are integral components for the seamless execution of the vaccination program.

The pandemic has demonstrated what is possible when resilience and collaborative science rise to the occasion. Our people have shown remarkable dedication and agility through the year in unprecedented circumstances. This includes our staff who have continued to work tirelessly in our manufacturing and logistics facilities throughout the pandemic to ensure a continuous supply of our essential medicines to patients. Their efforts have meant that despite the challenges, we enter 2021 with our pipeline stronger, our commercial execution sharper and our team morale higher to ensure that we can deliver sustained growth for our businesses.

I wish to thank our fantastic people and our trusted partners. Without them, we would not have achieved so much, and we shall count on them as we prepare for our exciting future.

Sincerely,

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

Hong Kong, 29 June 2021

CORPORATE VISION AND MISSION

OUR VISION

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

OUR MISSION

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

We enhance the communities in which we operate.

We build shareholder values in all we do.

OUR CULTURE

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

CHALLENGE

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

CONNECT

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

COMMIT

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

CORPORATE PROFILE

The Group is a leading pharmaceutical company in Hong Kong vertically integrated with the research, development, production, sale and distribution of generics, specialty drugs, and branded healthcare 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 10 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 under its branded healthcare subsidiary.

The Group has invested significantly in its commercial infrastructure and manages its own warehousing, logistics, regulatory, quality control, and sales and marketing operation. Our SAP powered warehousing complex is located at the hub of Hong Kong, which facilitates a high degree of supply chain efficiency and flexibility in providing logistic solutions to our customers.

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.

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

  We are a leading pharmaceutical R&D 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.

- ### Branded Healthcare Subsidiary Offering Notable Household and Overseas Brands

  A subsidiary of the Group, JBM Healthcare, is a leading branded healthcare operator in Hong Kong with proven track records, managing a broad portfolio of well-established and trusted third-party brands and own brands for over-the-counter branded medicines, proprietary Chinese medicines and health & wellness products covering health supplements, personal care products and diagnostic kits. Those brands include heritage household brands such as Po Chai Pills, Ho Chai Kung and Shiling Oil, and notable overseas consumer healthcare brands such as Contractubex of Germany, Smartfish of Norway, Rowatanal Cream of Ireland, Oncotype DX® of the United States, and AIM Atropine of Taiwan.

  Operating a vertically integrated business encompassing brand management and marketing, sourcing and representation of third-party brand products, development and manufacturing of own brand products, and sales and distribution, JBM Healthcare Group has an extensive sales and distribution network in Hong Kong with footholds spanning China, Macau, Taiwan and select countries in Southeast Asia, Europe, North America and the Caribbean Islands.

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

During the year under review, the COVID-19 pandemic has struck hard the economy and stalled retail consumption due to various social distancing measures and travel restrictions imposed from time to time. Businesses across most sectors have spent 2020 grappling with unprecedented impact and challenges, putting our resilience to the test. Despite a rebound of the economy in Hong Kong in the first quarter of 2021 driven by strong exports, consumer spending still stayed low as hit by the fourth wave of the local coronavirus outbreak. In this regard, the speed and strength of full economic recovery may seem far from certain, which will largely depend on the pace for Hong Kong to reach herd immunity through vaccination.

Under the continual impact of the pandemic on our businesses, the Group posted a total revenue of HK$1,445.9 million during the Reporting Period, representing a 8.0% decline over the previous period. Mitigated by the impact relief and cost-saving measures, the Group posted a profit attributable to equity shareholders at HK$173.7 million representing a decline of 19.4% year-on-year.

Braving the challenging market sentiments, the Group remained steadfast in delivering its growth strategies and maintained a steady momentum in fortifying its leadership position in the generic drugs market in Hong Kong. Riding on its technological know-how, commercial strengths and operational excellence, the Group continued to make good progress in enriching its portfolio of product offerings and expanding its reach into strategically selected markets in Asia.

The Group successfully completed the spin-off of its branded healthcare business, which comprised branded medicines, proprietary Chinese medicines and health and wellness products, for listing on the Main Board on 5 February 2021. Such a separation will create two distinct platforms for the Group and the spun-off branded healthcare company to accelerate respectively their growth strategies with enhanced strategic and management focuses.

Being appointed as the exclusive distributor of Fosun BioNTech Comirnaty Vaccine in Hong Kong and Macau, we took pride in playing a part in introducing the Fosun BioNTech Comirnaty Vaccine into these two markets. We thanked for the dedicated effort of our team in delivering a professional service in the areas of regulatory compliance, pharmacovigilance and medical information liaison works. Through the mission, we have also built a sound foundation for furthering our team expertise and capabilities on ultra-cold chain logistics for vaccines and specialised drugs in the future.

Furthermore, protecting our staff against COVID-19 is our priority concern. We have been highly conscious of our responsibility for ensuring a safe and hygienic working environment for our staff and have put in place robust procedures designed to minimise the transmission of COVID-19 in our workplaces.

STEADY GROWTH OF GENERIC DRUGS BUSINESS IN PUBLIC SECTOR

During the Reporting Period, the generics business of the Group was affected by a significant reduction of patient visits in private clinic due to home-isolation practices, as well as a short span of flu season as a result of the mask-wearing practices amongst the public.

As a consequence, the Group's total generics business sustained an overall drop by 11.9% with revenue at HK$1,048.8 million over the same period of last year, albeit a steady growth of business in the Public Sector which was offset by a dampened sales momentum in the Private Sector.

Strong Performance of Therapeutic Class Products

The Group has established a targeted portfolio of essential medicines and specialty drugs, commanding a strong position in a number of therapeutic classes in Hong Kong. Our comprehensive suite of generic drugs provides a one-stop solution for both the Public and Private Sectors to meet the escalating healthcare demand driven by the ageing population and the prevalence of chronic diseases.

The Group's offerings in therapeutic classes of oral anti-diabetic, cardiovascular and anti-ulcerative continued to demonstrate solid growth during the Reporting Period. The oral anti-diabetics and anti-ulcerative classes have registered a growth at 28.3% and 26.0% respectively in the Public Sector. The business growth was mainly attributable to the realisation of tendering business alongside an increased usage of these essential drugs in respective disease management categories.

In addition, the Group's angiotensin-converting enzyme inhibitor class and angiotensin II antagonist class of cardiovascular products have achieved robust sales growth of 62.2% and 33.6% respectively coupled with an increase in consumption of antihypertensive drugs in the Public Sector.

For the Private Sector, the Group's high performing products included laxatives which grew by 48.2%, along with angiotensin II receptor antagonists, beta-blockers and lipid-lowering products which also delivered strong growth of 50.2%, 19.6% and 18.8% respectively. Our hypnotic products for central nervous system treatments likewise posted a notable growth of 38.7% as compared to the same period of FY2020 under the negative impacts on the emotional and mental health of the public from COVID-19.

Supply of Infection Control Products to Fight COVID-19

To meet the surge in demand for antiseptic alcohol hand rubs due to the COVID-19 outbreak, the Group has taken measures to boost its manufacturing capacity to ensure an adequate supply of infection control products to hospitals and clinics to help medical and healthcare professionals fight the pandemic. A continuous supply of WHO-formulation alcohol hand rubs and alcohol-containing disinfectants was ensured by the Group for both the Public and Private Sectors during the Reporting Period. The Group also launched "MedProtect", a branded series of surgical face masks to cater to the protective needs of healthcare professionals and the public with the establishment of a production line in its PIC/S GMP certified manufacturing facilities which was accredited with EN ISO 13485:2016 for design and manufacture of surgical face masks. We have supplied more than 45,000 boxes of MedProtect face masks certified with ASTM Level 1 and EN 14683 Type II R standards to more than 2,000 medical professionals during the Reporting Period.

Introduction of New Products

With our continuous effort to introduce quality generics to meet medical and patient needs, the Group has launched a number of new products including Arsenic Trioxide Oral Solution, Dihydrocodeine Tablet, Perindopril Tablet, Atomoxetine Capsule, Rosuvastatin Tablet, Hydroxychloroquine Tablet, Desloratadine Tablet, Metronidazole Gel and Ofloxacin Eye Drops during the Reporting Period.

Among the above, Arsenic Trioxide Oral Solution was the first Arsenic Trioxide product successfully registered in Hong Kong, and was also the first included in the drug formulary of public hospitals indicated for the treatment of Acute Promyelocytic Leukaemia ("**APL**"). As a joint developer of the product in collaboration with the University of Hong Kong, the Group is the exclusive supplier of Arsenic Trioxide Oral Solution to public hospitals in Hong Kong.

APL is a genetic disease that tends to present its symptoms after adulthood with an incidence rate higher among East Asians. The use of Arsenic Trioxide in both newly diagnosed and relapsed APL patients has long been endorsed by multiple health bodies, such as the National Institute for Health and Clinical Excellence (NICE) from the United Kingdom and the National Institutes of Health (NIH) from the United States. As a bioequivalent alternative to its injectable counterparts, together with its preferable side effect profile and reduced hospitalisation cost, Arsenic Trioxide Oral Solution offers a better quality of life for our patients and has already established as a primary option for APL patients in Hong Kong.

Extending Business Opportunity into the Greater Bay Area

The recently promulgated Work Plan for Regulatory Innovation and Development of Pharmaceutical and Medical Device in the Guangdong-Hong Kong-Macau Greater Bay Area ("**GBA**") by China Central Government announced the policy initiatives allowing Hong Kong and Macau listed drugs and common medical devices to be used in designated medical institutions operated by service providers of Hong Kong and Macau within the GBA without prior National Medical Products Administration (NMPA China) registration.

The Hong Kong Government have been discussing with relevant Mainland authorities the implementation details. The new measure would facilitate Hong Kong residents to seek suitable healthcare services in the GBA and attract medical and pharmaceutical enterprises to expand businesses in Mainland cities of the GBA. As the largest generic drugs supplier in Hong Kong, the Group is well poised to tap such market opportunities and expand its product penetration into the prospering GBA cities.

DISTRIBUTION OF FOSUN BIONTECH COMIRNATY VACCINE IN HONG KONG AND MACAU

The COVID-19 outbreak has wreaked havoc on our society and economy. The control of the outbreak, and hence the ultimate recovery of normalcy, will be heavily dependent on us reaching herd immunity through vaccination.

The Group, with its deep-rooted corporate citizenship in Hong Kong, felt highly obligated and privileged to collaborate in the fight against COVID-19 as distributor of Fosun BioNTech Comirnaty Vaccine in Hong Kong and Macau under the exclusive distribution agreement with Fosun Pharma Group.

The program for Fosun BioNTech Comirnaty vaccination started in Hong Kong on 10 March 2021, and as at 31 May 2021, approximately 1,370,000 doses of the vaccine have been administered.

Fosun BioNTech Comirnaty Vaccine is an mRNA based vaccine developed by German biotech company BioNTech SE with the clinically-tested efficacy rate of 95%. The Advisory Committee of the United States Centers for Disease Control and Prevention (CDC) has recently endorsed the safety and effectiveness of the vaccine and its use in 12-through 15-year-old adolescents, which represented an important step on COVID-19 infection control within the population.

In ensuring the prompt access of Fosun BioNTech Comirnaty Vaccine for healthcare professionals and the public in Hong Kong amid spikes of the coronavirus outbreak, the Group's regulatory team dedicated immense efforts in supporting the urgent registration of the vaccine to secure the Emergency Use Approval (EUA) by the health authorities. We have invested in establishing an online ordering platform to help the Department of Health and the Community Vaccination Centers in Hong Kong efficiently and effectively manage vaccination bookings, vaccine orders and inventory. We have also set up a specialised team led by medical professionals and experienced pharmacists to provide 24-hour medical information services to the public, with the objective to deliver the best class vaccine and service support to citizens of Hong Kong and Macau.

Fosun BioNTech Comirnaty Vaccine requires an ultra-low temperature storage condition (-70 degree Celsius) to maintain its quality and efficacy, which necessitates the distribution to be built upon a flexible, just in time system backed by specialised thermal control equipment and stringent procedures. It was the first time in Hong Kong for applying such ultra-cold chain capability for commercialised pharmaceuticals. With respect to the challenges in concern, we have gained invaluable operational experience by tackling them with our cold chain logistic partner. All these experiences and operational establishments we have built have laid a solid foundation for strengthening further our regulatory, distribution, logistics, and marketing capabilities on vaccines and specialised drugs in the future.

CONTINUING DRIVE FOR BUSINESS DEVELOPMENT

On the business development front, in-licensing is a key strategy of the Group to enhance its portfolio with difficult-to-made specialised drugs.

During the Reporting Period, the Group has signed in-license regional agreements with reputable manufacturers in Europe and South Korea for a total of 15 specialised drugs covering the central nervous system, infectious diseases, gastrointestinal, and other therapeutic classes. This included an injectable medication of macrolides which are a class of antibiotic specialised in treating respiratory, skin, soft tissue, sexually transmitted, H. pylori and atypical mycobacterial infections.

Among the newly in-licensed drugs, 7 of them have already been submitted for registration and will be eligible for tender bidding in the coming year.

RESILIENT PERFORMANCE OF BRANDED HEALTHCARE BUSINESS

JBM Healthcare, the Group's subsidiary in consumer branded healthcare, was spun off from the Group and separately listed on the Main Board on 5 February 2021.

Despite the severe impact of COVID-19 on consumer sentiment and retail consumption, JBM Healthcare delivered a relatively resilient performance, posting a growth of 4.1% with total revenue at HK$397.1 million during the Reporting Period.

The resilient performance of the Group's branded healthcare business rests upon its broad yet targeted product offerings from notable brands in the segments of branded medicines, proprietary Chinese medicines and health and wellness products including health supplements, personal care products and diagnostic kits, which is buttressed by its proven brand management capability and extensive sales and distribution network in Hong Kong covering China, Macau, Taiwan and select countries in Southeast Asia, Europe, North America and the Caribbean Islands.

Operating a vertically integrated business encompassing brand management and marketing, sourcing and representation of third-party brand products, development and manufacturing of own brand products, and sales and distribution, JBM Healthcare has established its eminent market position as a branded healthcare operator with a proven track record of introducing quality overseas branded products to our local markets, as well as rejuvenating heritage household brands to stimulate market demand and broaden their market appeal.

To drive growth under its strategic plan, JBM Healthcare will focus on expanding its product offerings (through representation, in-licensing, merger and acquisition) and deepening market penetration in China through the newly developing cross-border e-commerce platform. This is underpinned by its aim to develop a branded healthcare product sourcing and distribution platform in Asia through the integration of its regional resources and foothold.

R&D PIPELINE ON TRACK

The development of our product pipeline was on track during the Reporting Period. A total of 4 products in the fields of dermatology, gastroenterology and endocrinology, were successfully registered which are ready for launch in Hong Kong.

Five other new products including Haloperodol Mesalazine and Gabapentin have completed the development process and have been submitted to the Department of Health of Hong Kong for approval. In addition, 7 new items have been added to the pipeline during the Reporting Period.

As at 31 March 2021, there were 158 products in our pipeline under different stages of development and registration.

COLLABORATIVE PROJECTS FOR INNOVATIVE TECHNOLOGIES

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

Funded under the Innovation and Technology Fund (ITF) by the Hong Kong Government, this two-year project has been successfully completed in the Reporting Period.

This collaborative project with HKIB aimed at studying the technology on the usage of Confocal Raman Microscope on specified manufacturing processes for providing the capability to precisely control and manage the manufacturing process for making sure that the complicated formulation, ingredient distribution, and specified in-vivo efficacy could be achieved.

A database containing more than 40 commonly used active pharmaceutical ingredients ("**APIs**") and more than 80 excipients has been established to facilitate quick screening of constituents in samples. Additionally, a method for analysing the enteric coating of products has been developed which can quickly and effectively analyse the coating composition and film thickness in the sample.

A method for analysing the composition of solid preparations and the particle size of each component has also been established to enable specific analysis for all solid preparations to be performed, thereby improving the speed and rate of success in new product developments.

Collaboration Project on Anti-cancer Drugs Production Industrialisation

Kick-started in the first quarter of 2020, the collaboration project between the Group and a Beijing pharmaceutical company has been progressing on track.

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 industrialise the production of anti-cancer drugs with indications covering non-small cell lung cancer (NSCLC) and chronic myeloid leukaemia (CML).

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

CORPORATE DEVELOPMENT

Spin-Off of Branded Healthcare Business

The Group successfully spun off and separately listed its branded healthcare business on the Main Board on 5 February 2021, by way of a distribution in specie to the shareholders of the Company (whose names appear on the register of members of the Company on 29 January 2021) of a portion of the shares of JBM Healthcare and a public offer in Hong Kong of the new shares of JBM Healthcare.

JBM Healthcare is principally engaged in the manufacturing and trading of branded healthcare products, comprising consumer healthcare products and proprietary Chinese medicines.

Immediately after the spin-off and public listing of JBM Healthcare, the Company indirectly holds 53.74% of the issued share capital of JBM Healthcare, which remains as a subsidiary of the Group.

The Group considers that the spin-off of JBM Healthcare is in the interests of the Group and its shareholders as a whole and will better position the remaining Jacobson and JBM Healthcare Group for further growth in their respective businesses under enhanced strategic and management focus, as well as unlocking values for their shareholders.

MATERIAL ACQUISITION AND DISPOSAL

Acquisition of 50% Equity Interest in a Pharmaceutical Manufacturing Company

In October 2020, the Group entered into a sale and purchase agreement with a joint venture partner to acquire its 50% equity interest 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 prior to the acquisition, which became wholly-owned subsidiaries of the Group upon completion.

The target company and its subsidiary own a PIC/S GMP accredited production facility for generic drugs and a specialty medicine in Hong Kong, which will fortify the Group's market share in the generic drugs business segment.

Partial Disposal of 49% Equity Interest in 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 British Virgin Islands with limited liability and 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$41.6 million. The wholesale and retail segment was classified as a disposal group held for sale in the consolidated statement of financial position as at 31 March 2020 and as discontinued operations in the consolidated statement of profit or loss for the years ended 31 March 2021 and 2020.

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.

REMUNERATION POLICY

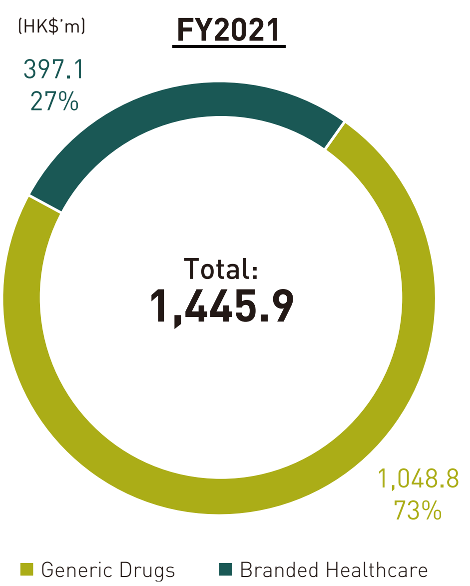
As of 31 March 2021, the Group has a total of 1,845 employees (compared to 1,944 employees as of 31 March 2020). For the Reporting Period, the total staff costs of the Group was HK$403.8 million, compared to HK$458.7 million for the year ended 31 March 2020 with various cost rationalisation measures have been implemented since April 2020 to face the economic challenge caused by the pandemic. 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 31 March 2021, 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.

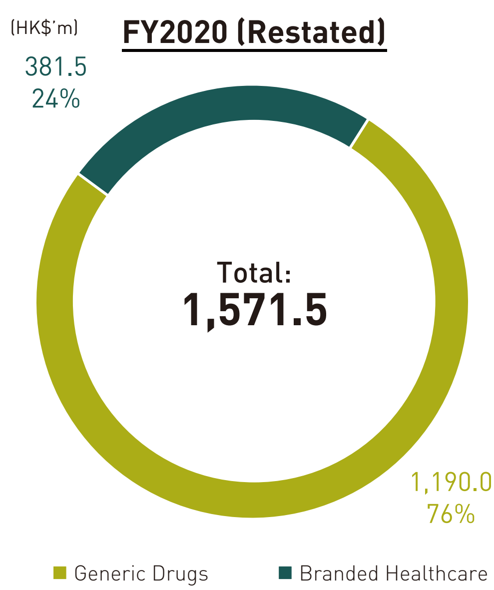
The Group places a high value on recruiting, developing and retaining its employees. It maintains high recruitment standards and provides competitive compensation and benefit packages to attract and retain talents. The Group also emphasises on training and developing employees. In addition to different 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 from Continuing Operations by Operating Segments



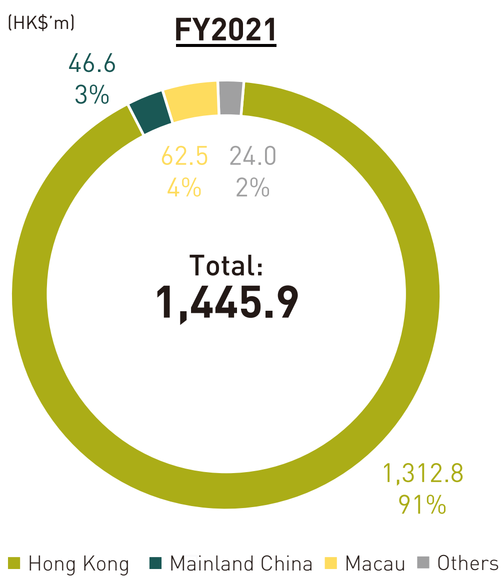


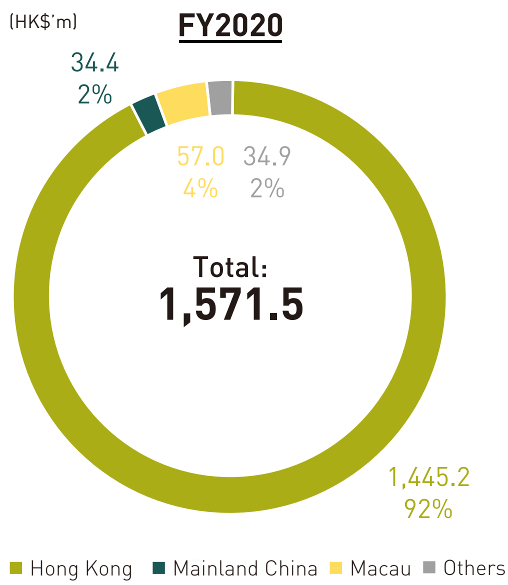
The decrease in revenue of HK$125.6 million or 8.0% compared to FY2020 was resulted from the decrease in revenue of HK$141.2 million in the generic drugs segment, partially compensated by the increase of HK$15.6 million in the branded healthcare segment. The revenue split of the two segments is at the ratio of 73% and 27%.

In the generic drugs segment, a composition of factors including the significant reduction of private clinic patients as a result of COVID-19 pandemic, the shortened span of flu season as a result of mask-wearing practices of the public for infection prevention, weak consumer sentiment due to the pandemic-control measures and deep plunge of visitors from the Mainland China and overseas, have negatively impacted the performance of the Private Sector business. However, the hampered performance of the Private Sector was partly offset by the revenue increase of the Public Sector with steady growth attributable to new public tenders awarded and increasing demand of essential medicines driven by the ageing population and prevalence in chronic diseases.

In the branded healthcare segment, the increase in revenue was mainly attributed to the consolidation of sales revenue of concentrated Chinese medicine granules products under Orizen Group since the acquisition of a controlling stake in August 2019, amid the resilient performance of a number of its principal brands despite the COVID-19 impact.

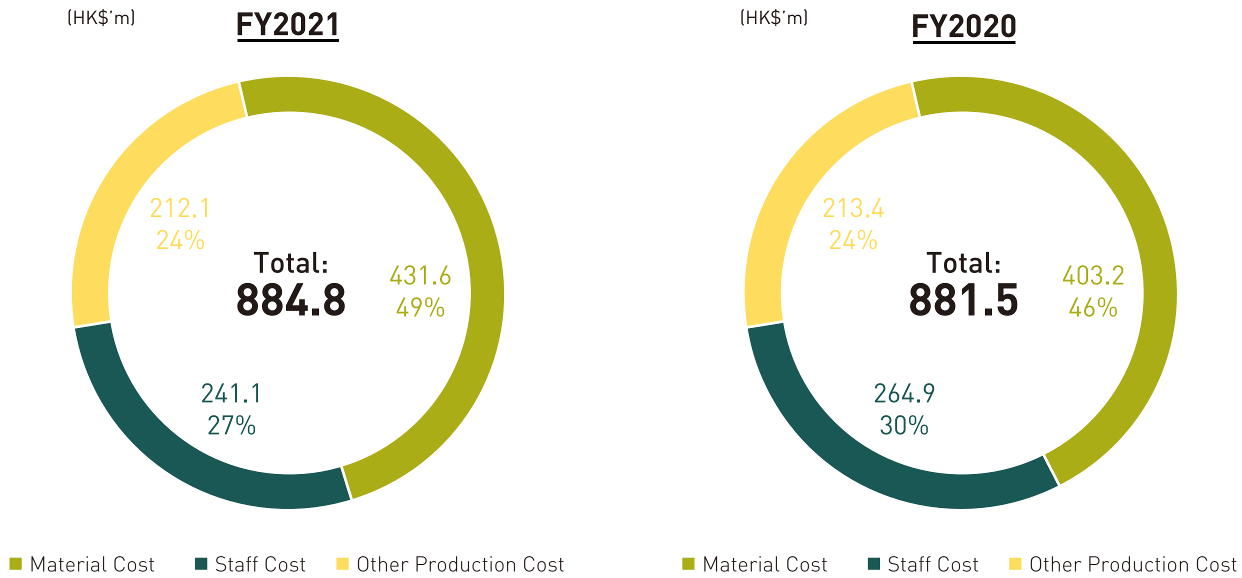
Revenue from Continuing Operations by Geographic Location





Hong Kong continued to be the major revenue stream, representing 91% of the total revenue with a decrease of HK$132.4 million compared to FY2020. The revenue growth in Macau was mainly contributed by the increase in sales of AIM Atropine Eye Drops. The revenue in Mainland China remained stable as compared to FY2020. The decrease in revenue from other overseas markets of HK$10.9 million was mainly due to a decrease in sales in South America and other Asian markets such as Taiwan, Singapore and the Philippines.

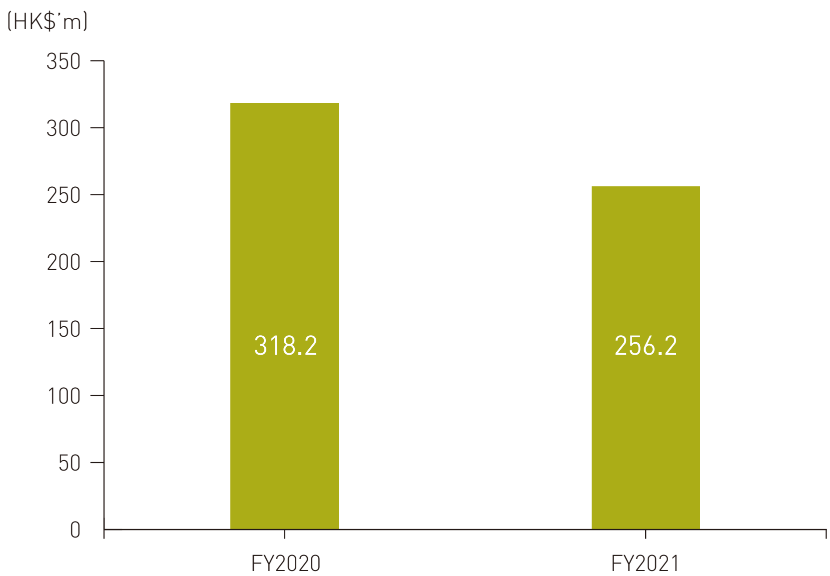
COST OF SALES



Material cost continued to be the major component constituting approximately 49% of the total cost of sales. The total cost of sales was generally at the same level as that of FY2020 despite a 8.0% decline in total revenue, which was mainly resulted from a higher revenue split from in-licensed products and contract-manufacturing products, which had a higher material cost than the self-manufactured products.

The decrease in staff cost of HK$23.8 million or 9.0% and other production costs of HK$1.3 million or 0.6% were generally in line with the overall sales trend of the Group.

PROFIT FROM OPERATIONS



The profit from operations dropped by HK$62.0 million or 19.5% to HK$256.2 million, mainly due to the decrease in gross profit and the one-off spin-off listing expenses of HK$32.0 million, which was compensated partially by the Employment Support Scheme subsidy from the Hong Kong Government and gain on disposals of subsidiaries and joint venture business during the Reporting Period.

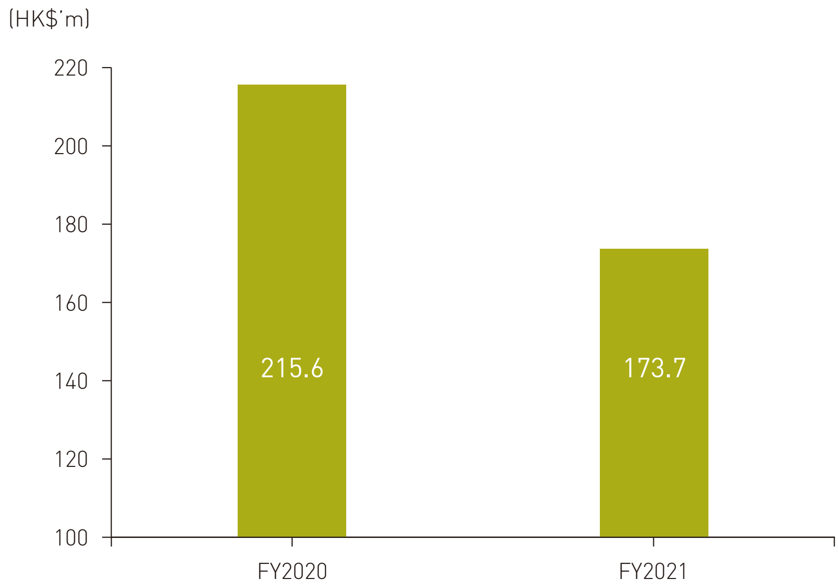
FINANCE COSTS

The decrease in finance costs was mainly attributable to the reduction of amortisation costs resulted from the early redemption of the Convertible Notes in July and August 2019 and the decrease in average interest rates on bank loans during the Reporting Period.

INCOME TAX

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

PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS



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

ASSETS

Investment properties and other property, plant and equipment

The increase in investment properties and other property, plant and equipment principally reflected the additions of HK$424.0 million mainly through the acquisition of a pharmaceutical manufacturing company and properties occupied by a pharmaceutical manufacturing company of the Group, offset partially by the depreciation of HK$151.8 million and disposals with a net book value of HK$9.8 million.

Intangible assets

The increase in intangible assets principally reflected the additions of HK$75.5 million mainly arising from the goodwill and licence from the acquisition of a pharmaceutical manufacturing company, the distribution rights from in-licensed branded healthcare products along with the capitalisation of development costs, which were offset partially by amortisation of HK$40.0 million.

For goodwill and intangible assets with indefinite useful lives, the recoverable amount is estimated annually and determined on the basis of value-in-use calculation. The value-in-use is determined based on the discounted cash flow forecasts which is prepared by management of the Group. The key assumptions included gross margins and the discount rates applied. Management of the Group believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the group of cash generating units ("**CGUs**") to exceed its recoverable amount.

The estimated recoverable amount of the CGUs in generic drugs segment exceeds their carrying amount as at 31 March 2021 by approximately HK$533.4 million (2020: HK$896.6 million) ("**headroom**") and the estimated recoverable amount of the CGUs in branded healthcare segment exceeds its carrying amount as at 31 March 2021 by approximately HK$335.2 million (2020: HK$301.4 million).

Inventories

The decrease in inventories mainly reflected the lower stock level resulting from the overall decline in sales.

Cash and cash equivalents

As at 31 March 2021, approximately 93.7% of cash and cash equivalents were denominated in Hong Kong dollars (as at 31 March 2020: 88.4%), while the remaining balances were mainly denominated in United States dollars, Renminbi, Singapore dollars and Taiwan dollars.

LIABILITIES

Bank loans

The bank loans as at 31 March 2021 generally maintained at the same level as that of 31 March 2020. As at 31 March 2021, all bank loans of the Group were denominated in Hong Kong dollars.

USE OF PROCEEDS

IPO PROCEEDS

Net proceeds of HK$695,540,000 were raised from the initial public offering of the Company (included proceeds from the over-allotment option exercised by the underwriter amounted to HK$98,438,000 and after the deduction of underwriting fees, commissions and expenses paid by 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 31 March 2021 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	As at 31 March 2020		As at 31 March 2021		Expected timeline for utilising the remaining IPO Proceeds
		Actual utilised amount	Unutilised amount	Actual utilised amount	Unutilised amount	
	HK$'000	HK$'000	HK$'000	HK$'000	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	104,331	–	N/A
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	68,241	26,090	On or before 31 March 2023
Establishment of a new joint R&D centre with HKIB	10,000	3,920	6,080	5,156	4,844	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	664,606	30,934	

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 NEW SHARES

Upon completion of the subscription of 200,000,000 shares by Yunnan Baiyao Holdings Company Limited* (雲南白藥控股有限公司) ("**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 31 March 2021 respectively.

Use of Subscription Proceeds as set out in the Subscription Announcement	Proposed application HK$'000	As at 31 March 2020 Actual utilised amount HK$'000	As at 31 March 2020 Unutilised amount HK$'000	As at 31 March 2021 Actual utilised amount HK$'000	As at 31 March 2021 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.

* *For purpose of identification only*

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

The Group consistently adheres to conservative fund management. The solid capital structure and financial strength continue to provide a sound foundation for the Group's future development.

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

CHARGE ON GROUP ASSETS

The carrying value of assets pledged against bank loans increased from HK$751.4 million as at 31 March 2020 to HK$1,042.2 million as at 31 March 2021, which was mainly attributable to fixed assets pledged for a new bank loan obtained during the Reporting Period.

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 at 31 March 2020 to 38.4% as at 31 March 2021. The decrease in net gearing ratio was mainly attributable to cash generated from operations and cash proceeds from the issuance of new shares by JBM Healthcare, a subsidiary of the Group that was spun off and separately listed on the Main Board, during the Reporting Period.

FINANCIAL RISK ANALYSIS

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

CONTINGENT LIABILITIES

As at 31 March 2021, the Group did not have any significant contingent liabilities.

NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 23 February 2021, the Group has entered into a sales and purchase agreement with an external party to acquire certain units in an industrial building in Hong Kong at a consideration of HK$23,140,000. The acquisition is expected to be completed on 30 June 2021.

Corporate Governance Report

Corporate Governance Practices

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

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

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

For the year ended 31 March 2021, the Company has complied with all the code provisions of the CG Code and adopted most of the best practices set out therein, except for code provision A.2.1. Detail of the deviation from the code provision A.2.1 is explained in the section headed "Chairman and Chief Executive Officer" of this annual report.

Model Code for Securities Transactions

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors. Having made specific enquiry with the Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the Reporting Period.

The Company has also established written guidelines, the Code for Securities Transactions by Employees (the "**Employees Code**"), with terms no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Code by the employees was noted by the Company throughout the Reporting Period.

Board of Directors

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

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

BOARD COMPOSITION

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

The Board of the Company currently comprises the following Directors:

Executive Directors

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

Non-executive Director

Professor Lam Sing Kwong, Simon

Independent Non-executive Directors

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

Board of Directors (Continued)

BOARD COMPOSITION (Continued)

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

The Articles of Association provides that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and all Directors appointed as an addition to the Board shall be subject to election by shareholders at the first annual general meeting of the Company after appointment.

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

In accordance with the Articles of Association, Professor Lam Sing Kwong, Simon, Mr. Young Chun Man, Kenneth and Professor Wong Chi Kei, Ian will retire and being eligible, will offer themselves to be re-elected and re-appointed at 2021 AGM.

Board of Directors (Continued)

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

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

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

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

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

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

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

During the Reporting Period, the Directors have attended seminars organised by external professional parties on different topics, including the continuing obligations and responsibilities of directors and members of senior management of a company listed on the Stock Exchange, audit documentation and financial reporting standards update. The Directors also enhanced their knowledge relating to the Listing Rules from the director training webcast launched by the Stock Exchange and studied the relevant reading materials such as legal and regulatory update and seminar handouts provided by the Company.

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

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

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

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

Board Committees

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

AUDIT COMMITTEE

The Audit Committee currently consists of four members including three independent non-executive Directors, namely Mr. Young Chun Man, Kenneth (Chairman of the Audit Committee), Dr. Lam Kwing Tong, Alan and Professor Wong Chi Kei, Ian and one non-executive Director namely Professor Lam Sing Kwong, Simon (with Mr. Young Chun Man, Kenneth who possesses the professional qualification and accounting expertise in compliance with the requirement under Rules 3.10(2) and 3.21 of the Listing Rules).

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

The primary duties of the Audit Committee shall be to assist the Board in its oversight of the completeness, accuracy and fairness of the financial statements of the Company, of the effectiveness and adequacy of risk management and internal control systems, of the independence of the external auditor and of the performance of the Company's internal audit and compliance function. The Audit Committee is provided with sufficient resources to discharge its duties and it can seek independent professional advice according to the Company's policy if considered necessary. The major roles and functions of the Audit Committee are included in its terms of reference, which are available on the respective websites of the Stock Exchange and the Company.

The Audit Committee, together with the management of the Company, has reviewed the annual results of the Group for the Reporting Period.

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

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

(i) reviewed and recommended for the Board's approval of the financial reports for the year ended 31 March 2020 and the interim period ended 30 September 2020;

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

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

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

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

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

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

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

During the Reporting Period, the Audit Committee also met the external auditor twice without the presence of the executive Directors.

Board Committees (Continued)

REMUNERATION COMMITTEE

The Remuneration Committee currently consists of three members including two independent non-executive Directors namely Dr. Lam Kwing Tong, Alan (Chairman of the Remuneration Committee) and Mr. Young Chun Man, Kenneth and one executive Director namely Ms. Pun Yue Wai.

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

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

During the Reporting Period, the Remuneration Committee met twice at which the committee members reviewed the remuneration of Directors and evaluated and assessed the effectiveness of the Remuneration Committee and the adequacy of its terms of reference. The Remuneration Committee also reviewed the remuneration packages of individual non-executive Directors and senior management, the Company's policy and structure for the remuneration of all directors and senior management. In addition, the Remuneration Committee reviewed the renewed letter of appointment for Professor Wong Chi Kei, Ian and renewed service agreement for Ms. Pun Yue Wai and made recommendation to the Board to approve the same.

Details of the remuneration of the senior management, who are the Directors, are set out in note 6 to the consolidated financial statements. The emoluments of the Directors by band for the year ended 31 March 2021 is set out below:

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

NOMINATION COMMITTEE

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

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

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

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

In identifying and selecting suitable candidates for directorships, the Nomination Committee would refer to the policy adopted by the Company for selection of directors (the "**Director Nomination Policy**") and consider candidates against objective criteria, such as candidate's character, integrity, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Reporting Period, the Nomination Committee met once at which the committee members reviewed the structure, size and composition of the Board, the independence of the independent non-executive Directors, the Board Diversity Policy and the Director Nomination Policy. In addition, the Nomination Committee also evaluated and assessed the effectiveness of the Nomination Committee and the adequacy of its terms of reference.

Board Committees (Continued)

EXECUTIVE COMMITTEE

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

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

During the Reporting Period, the Executive Committee met seven times at which the committee members reviewed the matters, among others, the latest status and development of business projects of the Group during the Reporting Period.

Board Diversity Policy

The Board Diversity Policy was adopted by the Company on 30 August 2016 and revised on 21 November 2018. The Company is committed to equality of opportunity in all aspects of its business and does not discriminate on the grounds of race, gender, independence, disability, nationality, religious or philosophical belief, age, sexual orientation, family status or any other factor so as to enable the Company to serve its shareholders and other stakeholders going forward.

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

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

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

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

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

Director Nomination Policy

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

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

CRITERIA ADOPTED FOR SELECTION AND RECOMMENDATION FOR DIRECTORSHIP

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

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

Director Nomination Policy (Continued)

CRITERIA ADOPTED FOR SELECTION AND RECOMMENDATION FOR DIRECTORSHIP (Continued)

- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity.
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of Directors and succession planning.

NOMINATION PROCESS

(a) Appointment of New Director

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

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

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

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

(b) Re-election of Director at General Meeting

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

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

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

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

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

Dividend Policy

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

Corporate Governance Functions

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

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the CG Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report during the Reporting Period.

Board Meetings

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

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

	Attendance/Number of Meetings					
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Executive Committee**	**Annual General Meeting[2]**
Mr. Sum Kwong Yip, Derek *(Chairman)*	9/9	N/A	N/A	N/A	7/7	1/1
Mr. Yim Chun Leung	9/9	N/A	N/A	1/1	7/7	1/1
Ms. Pun Yue Wai	9/9	N/A	2/2	N/A	7/7	1/1
Professor Lam Sing Kwong, Simon	9/9	1/1[1]	N/A	N/A	N/A	1/1
Dr. Lam Kwing Tong, Alan	9/9	2/2	2/2	1/1	N/A	1/1
Mr. Young Chun Man, Kenneth	9/9	2/2	2/2	1/1	N/A	1/1
Professor Wong Chi Kei, Ian	9/9	2/2	N/A	1/1	N/A	1/1

Notes:

(1) Professor Lam Sing Kwong, Simon was appointed as a member of the Audit Committee on 1 August 2020. One Audit Committee meeting was held after his appointment.

(2) The 2020 annual general meeting of the Company was held on 23 September 2020.

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

Accountability and Audit

FINANCIAL REPORTING

The Directors acknowledged their responsibility for preparing, with the support from the Finance Department of the Company, the consolidated financial statements of the Group. In preparing the consolidated financial statements for the year ended 31 March 2021, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance have been complied with. The Directors believe that they have selected suitable accounting policies and applied them consistently, and made judgements and estimates that are prudent and reasonable and ensure the consolidated financial statements are prepared on a going concern basis.

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

The reporting responsibilities of the Company's external auditor, Messrs. KPMG, are set out in the Independent Auditor's Report on pages 64 to 68 of this annual report.

Accountability and Audit (Continued)

RISK MANAGEMENT AND INTERNAL CONTROL

During the Reporting Period, the Group has engaged external consultants to review the risk management framework including the risk management policy (the "**Risk Management Policy**"). We highlighted the key features of our structured risk management approach as follows:

I. Risk governance structure

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

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

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

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

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

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

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

Accountability and Audit (Continued)

RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

II. Risk management process

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

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

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

III. Risk monitoring and reporting

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

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

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

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

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

IV. Annual confirmation

The Group's risk management and internal control systems are designed to provide reasonable, but not absolute assurance against material misstatement or loss; to manage rather than completely eliminate the risk of failure to achieve business objectives. It has a key role in the management of risks that are significant to the fulfilment of business objectives. The Board, through the Audit Committee and with the assistance of the Company's external consultants, conducted risk management and internal control reviews of the business operations for the year ended 31 March 2021 and considered them to be effective and adequate. The management has provided a confirmation to the Audit Committee (and the Board) on the effectiveness of these systems for the Reporting Period.

Accountability and Audit (Continued)

INTERNAL AUDIT

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

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

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

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

- designated reporting channel from relevant officers in possession of potential inside information informing such information to the designated persons;

- designated persons to assess the potential inside information and provide advice, and where appropriate, to escalate such information for the attention of the Board to resolve on further actions complying with applicable laws and regulations; and

- restrictive access to inside information to a limited number of employees on a need-to-know basis.

Auditor's Remuneration

The remuneration paid/payable to the external auditor of the Company, Messrs. KPMG, in respect of audit services and non-audit services for the year ended 31 March 2021 were HK$9,973,000 (2020: HK$5,576,000) and HK$3,267,000 (2020: HK$3,816,000) respectively. The non-audit services for the years ended 31 March 2021 and 2020 mainly consisted of tax consultancy services, other reporting services and advisory services.

Shareholders' Rights

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

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

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

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

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

Shareholders' Rights (Continued)

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS DIRECTOR

Shareholders may propose a person for election as Director. For detailed procedures, please refer to the section "Corporate Governance" under "Investor Relations" on the Company's website (www.jacobsonpharma.com/download/Procedures_e.pdf).

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD ENQUIRIES TO THE BOARD

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

CONTACT DETAILS

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

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

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

Communication with Shareholders and Investors

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

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

Company Secretary

On 1 April 2021, Mr. Yim Chun Leung resigned and Mr. Yu Chun Kau was appointed as Company Secretary of the Company. The Company Secretary is an employee of the Group and reports directly to the Chairman and Chief Executive Officer. The Board approves the selection, appointment or dismissal of the Company Secretary. All Directors have access to the advice and services of the Company Secretary. During the Reporting Period, Mr. Yim Chun Leung has confirmed that he has taken no less than 15 hours of the relevant professional training.

Environmental, Social and Governance Report

ABOUT THE ESG REPORT

Jacobson Pharma Corporation Limited is pleased to present its Environmental, Social and Governance ("**ESG**") report, covering the ESG management approach and performance for the 2021 financial year. This report has summarised measures undertaken by the Group in its pursuit of sustainability and the evaluation of the environmental and social impact as a result of these actions.

REPORTING PERIOD

The ESG report covers Jacobson's ESG management approach and performance for the period from 1 April 2020 to 31 March 2021.

SCOPE OF THE ESG REPORT

The scope of the ESG report primarily covers 13 production facilities (including 10 licensed production facilities for generic drugs in Hong Kong and one in Zhongshan, and two Good Manufacture Practice (GMP)-accredited production facilities for proprietary Chinese medicines), as well as the Group's offices and laboratories.

REPORTING FRAMEWORK

The ESG report is compiled in accordance with the ESG Reporting Guide under Appendix 27 of the Listing Rules, meeting the "comply or explain" provision of the ESG Reporting Guide. The ESG report summaries the initiatives, quantitative data, and approaches that the Group undertakes to manage its material ESG issues, as well as discloses quantitative environmental information related to its sustainability performance and involvement, aimed at providing transparency and accountability of the Group's actions to stakeholders.

For more information relating to the Group's business and its corporate governance practices, please refer to the Corporate Governance section in this annual report.

ENDORSEMENT AND APPROVAL

The Board is responsible for overseeing statutory compliance, stakeholder engagement, ESG performance and risk management. The Board approved this ESG report on 29 June 2021.

FEEDBACK FOR THE ESG REPORT

We value your feedback as we set the direction of our development and seek to address your concerns wherever possible. Please share your comments on our sustainability performance with us at http://www.jacobsonpharma.com/html/contact-us.php.

OUR APPROACH TO ESG

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

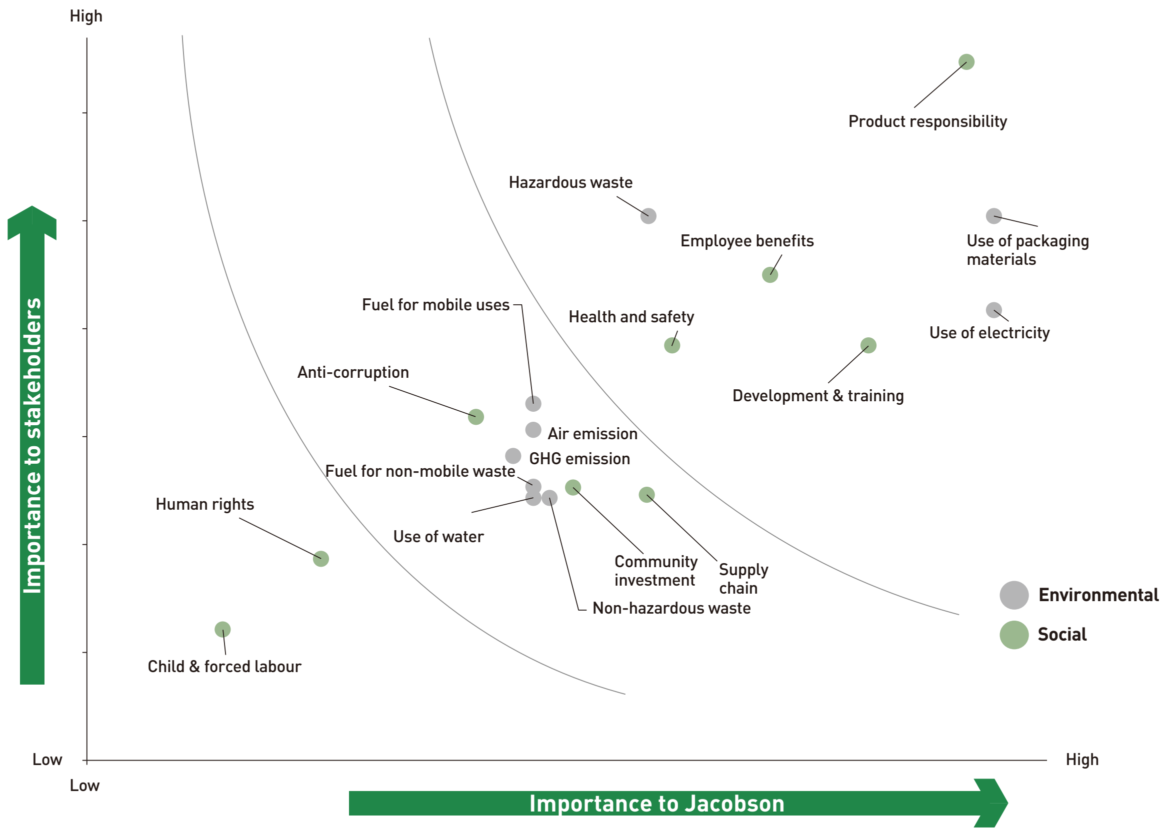
OUR APPROACH TO ESG (Continued)

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

Understanding and responding to the views and expectations of our stakeholders play a critical role in the success of our business. We openly and actively engage with our stakeholders who are highly influential to our business and collect their views through various channels.

Materiality assessment helps in identifying material ESG issues that we should focus on and report to our stakeholders. The result gives us the vital foundation for formulating sustainability strategies and approaches. After internal review and consideration of the stability of its own business and operating location, the material ESG issues remain unchanged mainly on the basis of detailed and in-depth stakeholder engagement and materiality assessment conducted in the previous year. The Group's materiality assessment results are listed below.

Materiality Matrix



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

Material environment issues	Material social issues
Use of packaging materials	Product responsibility
Use of electricity	Development and training
Hazardous waste	Employee benefits
	Health and safety

ENVIRONMENTAL PROTECTION

The Group strictly follows laws and regulations on environmental protection regulations in the locations where it operates, including but not limited to the Environmental Protection Law of the PRC, the Law of the PRC on the Prevention and Control of Air Pollution, the Law of the PRC on the Prevention and Control of Water Pollution, the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste, Public Health and Municipal Services Ordinance (Cap. 132) and Control of Chemicals Ordinance (Cap. 145) of the Laws of Hong Kong. During the Reporting Period, Jacobson was neither involved in any significant regulatory non-compliance related to applicable environmental laws and regulations, nor was it involved in any material environmental claims, lawsuits, penalties or administrative sanctions.

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

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

USE OF PACKAGING MATERIALS

The most material environmental issue for Jacobson is the use of packaging material, which impacts the product quality directly. The main packaging materials used by the Group are colour boxes, inserts, labels and outer cartons.

Jacobson has strict controls on the quality and quantity of packaging materials used. The Group mainly uses packaging materials produced by GMP-accredited or International Organisation for Standardisation (ISO)-certified manufacturers to ensure package quality. We also ensure all manufacturers meet relevant laws and regulations of the countries where they are located.

The staff in each production facility responsible for overseeing the quality of purchased packaging materials has been designated. Inspections and examinations will be conducted upon the arrival of the packaging materials. The designated staff should fill in the Material Assessment Report after inspections. The packaging materials with unclear labels or damaged issues will be rejected and returned to the suppliers. In addition, the staff is required to monitor the material types, expiry date and, usage of packaging materials and submit the reports monthly.

As these packaging materials come in many different types and sizes, it is difficult to estimate the weight of packaging materials used accurately, and hence the consumptions are presented below in dollar values (the cost of purchases of respective packaging materials was same as the previous year). As shown in the table below, with the exception of inserts, cost of most of the packaging materials decreased during the Reporting Period mainly due to a decrease in production and sales of generic drugs other than proprietary medicine compared with the previous reporting period.

Cost of packaging material purchased	Unit	FY2021	FY2020	% Change
Outer carton	HKD	3,248,215	3,957,281	–18%
Colour box	HKD	20,445,406	20,788,593	–2%
Insert	HKD	2,040,042	2,349,053	–13%
Label	HKD	4,079,148	5,517,321	–26%

ENERGY CONSERVATION

Jacobson advocates the philosophy of energy conservation in daily operations at manufacturing facilities and offices.

The two major energy sources Jacobson relies on for drug production are electricity and town gas. We strive to cultivate awareness among our employees and adopted various strategies in energy conservation. The clean rooms are under stringent and continual temperature and humidity controls, which are the most energy-intensive aspect among our facilities. We adjust the temperature setpoints and damper controls on the air-side systems, install numerous monitoring devices to keep track of electricity consumption, and collect data on different ESG aspects for analysis in some of the manufacturing facilities. We procure office appliances with the 'Energy Label' endorsed by the Electrical and Mechanical Services Department in the office. In addition, Jacobson is retrofitting its existing buildings with lighting that are more energy-efficient. As of March 2021, we had replaced 17,588 LEDs representing most of our facilities with LEDs lightings.

ENVIRONMENTAL PROTECTION (Continued)

ENERGY CONSERVATION (Continued)

In 2021, the Group has upgraded the air conditioning equipment by replacing old chillers with ones that deliver improved part-load and higher full-load efficiency at one of our subsidiaries. We have also joined an Electrical Equipment Upgrade Scheme organised by China Light and Power (CLP), which provided consultancy service to review whether our equipment selection is able to enhance energy efficiency of the air conditioning system.

To reduce the energy use in the plant scale amongst the Group, three of our subsidiaries – Synco (H.K.) Limited, Jean Marie Pharmacal Co. Ltd. and Europharm Laboratoires Co. Ltd., joined the Peak Demand Programme organised by CLP in 2021. In addition, it helped the subsidiaries shift the use of some equipment to outside peak demand hours as well as helped CLP generate power more efficiently while lowering the electricity cost.

The Group recognises that effective implementation of various strategies in energy conservation requires keen employee awareness. In 2020, we have arranged five of our Engineering Department heads from different subsidiaries to join a CLP Energy Efficiency & Conservation (EE&C) Seminar, to understand the sustainable initiatives through EE&C, electric vehicle (EV) and renewable energy (RE) development, retro-commissioning and up-to-date smart energy solutions.

Our Engineering Department tracks and traces the building energy performance daily, which is part of the key activities of sustainable energy management. It helps the Group determine the effectiveness of energy used and guard against wastage throughout data monitoring system and regular site inspection. Details of the use of different types of energy for the Reporting Period are summarised in the table below.

Energy consumption	Unit	FY2021	FY2020	% Change
Electricity consumption	kWh	32,893,162[1]	32,545,403	+1%
Intensity of electricity consumption[2]	kWh/HKD	0.023	0.021	+10%
Town gas consumption	kWh	173,828,297	161,576,186	+8%
Intensity of town gas consumption[2]	kWh/HKD	0.120	0.103	+17%
Fuel consumption (diesel)	Litre	108,544	121,030	–10%
Intensity of fuel (diesel) consumption[2]	Litre/HKD	<0.001	<0.001	unchanged

Fuel used in vehicles is one of the significant energy sources in Jacobson to support the in-house logistic arm that primarily distributes its products to hospitals, clinics, retail outlets and trading companies within Hong Kong. During the Reporting Period, the Group was able to reduce fuel consumption by 10% over the previous year. This was attributable to the use of Euro V diesel trucks, implementation of good routing practices by identifying the most efficient routes for delivery to minimise fuel consumption and delivery time, as well as the increase in load efficiency.

WASTE MANAGEMENT

In the locations where it operates, the Group strictly adheres to environmental protection regulations such as the Waste Disposal Ordinance (Cap. 354), Waste Disposal (Chemical Waste) (General) Regulation (Cap. 354C), Dangerous Goods Ordinance (Cap. 295) of the Laws of Hong Kong and Public Cleansing and Prevention of Nuisances Regulation related to the disposal of hazardous waste. A waste management process as part of its quality assurance programme, and also as part of the compliance with laws and regulations, has been established.

The types of wastes generated were from the production and preparation of pharmaceutical products, and are mainly microbiological wastes, sample after microbiological testing, general wastes, as well as chemical wastes generated from the quality control testing of pharmaceutical products.

Hazardous Wastes

To prevent environmental harm and protect the health and safety of employees, the Group strives to ensure the disposal of hazardous wastes is within the strict control of our waste management process. The implementation of our proper handling, storage and recording procedures of hazardous wastes on-site is disclosed in the standard operating procedures (SOPs) of our Goods Destruction policy. The details of biological safety and avoiding cross-contamination risks in the microbiology laboratory are detailed in the Biosafety Manual.

1 Newly added one subsidiary of American Unicorn Laboratories Ltd, but excluded Hong Kong Han Lam Tong Medicine Limited of the Group
2 Intensity figures are calculated using the Group's revenue of HKD1,446.0 million in FY2021 and HKD1,571.5 million in FY2020

ENVIRONMENTAL PROTECTION (Continued)

WASTE MANAGEMENT (Continued)

Hazardous Wastes (Continued)

All hazardous wastes are required to be disposed of, collected and stored in safe isolated areas where unauthorised persons are prevented from entering. For instance, microbiological wastes are decontaminated, before cleaning or disposal. The decontamination is performed by sterilisation in moist heat in an autoclave at the microbiological laboratory. The operation procedures of the autoclave must be followed. The sterilised wastes are transferred to the assigned area for disposal outside the premises. The Quality Assurance Department of each business unit is responsible for the handling of the disposal of hazardous wastes of its business unit and makes sure no leakage of materials occurred. When a reasonable amount of waste has accumulated, licensed waste collectors are appointed as appropriate for its collection, treatment and disposal. In addition, for any 'Part A' chemical wastes including waste types Dangerous Drugs, Poison (Part 1) and Antibiotics, a checklist of waste to be disposed of and a notification under Section 17 for 'Part A' chemical wastes shall be filed and endorsed by the EPD according to the Waste Disposal Ordinance (Cap. 354) of the Laws of Hong Kong prior to the disposal by the licensed waste collectors.

Details of non-hazardous waste disposal are summarised in the table below.

Waste disposal	Unit	FY2021	FY2020	% Change
Hazardous waste disposed[3]	Kg	104,335	149,974	–30%
Intensity of hazardous waste disposed[4]	g/HKD	0.1	0.1	unchanged

Non-hazardous Wastes

The general wastes which are non-hazardous generated from manufacturing facilities and offices mainly include office wastepaper, used packaging materials of raw materials purchased, and non-contaminated labware. The impact of non-hazardous wastes is immaterial compared with other ESG aspects. Hence although waste generation in this aspect is being continuously monitored, no relevant data has been collected.

To minimise non-hazardous wastes, Jacobson utilises a mobile ordering system that provides a more convenient channel for retail pharmacies to place their orders, which reduces paper consumption on a large scale. In addition, Jacobson utilises the SAP system that has streamlined the process for approval of payments electronically, thereby further eliminating the reliance on paper use.

In the office, the Group manages non-hazardous waste by raising environmental awareness of its employees through the promotion of the concept of '4Rs' (reduce, reuse, replace and recycle). The Group has also adopted various measures to minimise waste generation like encouraging the practice of printing on both sides of paper, and re-using and recycling used paper wherever possible.

WATER MANAGEMENT

Wastewater Discharge Management

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

Water Resource Management

Jacobson endeavours to minimise water consumption and consume water responsibly throughout its operations as water resource is essential in its drug production process. The Group upholds extremely stringent requirements on water quality and has not encountered any issue in the sourcing of water that is fit for purpose.

Purified water is our major source of pharmaceutical manufacturing progress. Purified water generated from the water purification system is also monitored closely to ensure the quality of water is met. Most of our manufacturing facilities in which cooling tower is being used for the water-cooled air-conditioning system are energy-efficient and environmentally friendly. We also keep recycling the rejected water for regeneration as far as practicable. For maintaining better efficiency of evaporation and consumption, the system will use regularly bleed and feed principle to keep clean water in the cooling process. The bleed-off water will then be discharged to a flushing tank and reused for flushing purpose.

3 The reduction in hazardous wastes was mainly due to the production volume decrease in some of the facilities
4 Intensity figures are calculated using the Group's revenue of HKD1,446.0 million in FY2021 and HKD1,571.5 million in FY2020

ENVIRONMENTAL PROTECTION (Continued)

WATER MANAGEMENT (Continued)

Water Resource Management (Continued)

Details of water usage at our offices are summarised in the table below.

Water consumption	Unit	FY2021	FY2020	% Change
Use of water[5]	m^3	218,809	168,971	+29%
Intensity of water use[6]	m^3/HKD	<0.00	<0.001	unchanged

AIR AND GREENHOUSE GAS (GHG) EMISSIONS

Air Emissions

The Group strives to reduce the emission of air pollutants from its operations by adopting various pollutant treatment measures. The Group's major sources of air emissions are nitrogen oxides (NOx), sulfur oxides (SOx) and particulate matters (PM) generated from production facilities and mobile vehicles.

During the Reporting Period, we conducted several projects for air pollutant reduction, including upgrading the air conditioning equipment by replacing old chillers with ones that deliver improved part-load and higher full-load efficiency at one of our subsidiaries. We have replaced all our in-house logistics with Euro V diesel vehicles.

GHG Emissions

Tackling and mitigating the effects of climate change, including reduction of GHG emissions, will require worldwide collective action. As a responsible corporate citizen, we aim to reduce our GHG emissions and contribute to the transition to a low-carbon economy. The Group attaches great importance to compliance with relevant laws and regulations regarding emissions.

The use of diesel vehicles, the consumption of town gas and electricity, and water usage and treatment during the production process had all generated GHG either directly or indirectly. Energy consumption through electricity (Scope 2 emissions) is the main source of our total GHG emissions. Details of GHG emissions in carbon dioxide equivalent emissions ("**CO_2e**") during the Reporting Period were as below:

GHG emissions	Source	FY2021	FY2020	% Change
Scope 1: Direct GHG emissions (Tonnes CO_2e)	• Self-owned vehicles • Purchased town gas	34,398	31,269	+10%
Scope 2: Electricity indirect GHG emissions (Tonnes CO_2e)	• Purchased electricity	18,749	20,743	–10%
Scope 3: Other indirect GHG emissions (Tonnes CO_2e)	• Fresh water & sewage treatment	136	105	+29%
Total (Tonnes CO_2e)		53,282	52,117	+2%
Total GHG emissions intensity (Tonnes CO_2e/HKD)[7]		37	33	+12%

Jacobson Medical (Hong Kong) Limited has joined the carbon dioxide ("CO_2") offset program established by Shell Hong Kong Limited to support the CO_2 neutral journey. The Group has received a carbon reduction certificate for avoiding or removing 5 tonnes of CO_2. We are able to track our fleet's overall fuel consumption and calculate the associated 'well-to-wheel' CO_2e emissions through the program.

To further reduce the GHG emissions generated during the business operation, we have adopted and implemented different mitigation measures aiming at enhancing energy efficiency, as well as reducing the consumption of natural resources and waste generated as mentioned above.

CARE FOR THE ENVIRONMENT

We understand the environment is crucial for both our social and economic developments and thus we all have a shared responsibility to conserve and protect it. We uphold sustainable development for the environment as an uncompromised value at our organisation. We are pleased to be an EconPartner of Corporate Environmental Leadership Award 2020 jointly by Bank of China and Federation of Hong Kong Industries.

5 Due to social activities and COVID-19, part of the water consumption in FY2020 was billed in FY2021, resulting in the increase in water consumption reported

6 Intensity figures are calculated using the Group's revenue of HKD1,446.0 million in FY2021 and HKD1,571.5 million in FY2020

7 Intensity figures are calculated using the Group's revenue of HKD1,446.0 million in FY2021 and HKD1,571.5 million in FY2020

PRODUCT RESPONSIBILITY

Jacobson strives to provide safe and high quality products, and drive the healthy development of the industry.

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

As a responsible pharmaceutical manufacturer, Jacobson complies with GMP, which is a system for ensuring that products are manufactured as per the quality standard. This practice ensures all manufacturers follow the established procedures – from the procurement and management of starting materials; design and maintenance of premises, facilities and equipment; hygiene control; packaging and transportation processes; personnel qualification and training; production processes; quality control to the distribution of products – in order to achieve a high level of safety and quality standards of all medicines produced.

PRODUCT QUALITY CONTROL AND ASSURANCE

Jacobson attaches great importance to the quality of products to protect the health and safety of consumers. The Group has stringent control on regulatory compliance and product quality following the Pharmacovigilance (PV) System, an internal policy to ensure the quality management meets the Local Regulatory Authority – Department of Health (DH) requirements and PV agreement with pharmaceutical suppliers, in order to provide safe and high-quality pharmaceutical products.

The Group has formulated the Quality Manual to serve as the policies in relation to the current requirement of the Pharmacy and Poisons Regulation and PIC/S Guide to Good Manufacturing Practice for Medicinal Product and relevant Annexes. It also provides the management, employees and suppliers with information on the intent and scope of the Pharmaceutical Quality System. The Quality Assurance System includes an audit program, and various monitoring programmes pertaining to the environment, product stability, facilities, training and retraining programmes, product complaints and product recall have been established within the Group.

Raw materials and excipients are subject to inspection before being approved for production use. While supplying raw materials including APIs to the Group, the manufacturers must provide a certificate of analysis confirming that the materials comply with the prescribed specifications. After purchasing raw materials and packaging materials, the Group performs quality control tests on all such materials and only uses qualified materials in the manufacturing process. Jacobson manufactures and packages the products according to the pre-set and standardised procedures using qualified facilities and equipment. The manufacturing process of each product has been validated to ensure that the process operated within the established parameters can be performed effectively and reproducibly to produce a medicinal product that meets its predetermined specific and quality attributes. The Quality Control Department is responsible for preparing analytical procedures, establishing raw materials and product specifications, as well as conducting sampling and analysis. Analytical activities include conducting chemical and physical analyses of the raw materials, intermediate products and finished products; setting up a stability programme; and conducting stability studies to determine storage condition and product shelf life. The Group has adopted and conducted microbiological testing and measures on-site as stipulated by the DH.

The Group has also developed a production system to ensure control cover the manufacturing process, including in-process sampling and testing, and process validation. It also includes establishing, following, and documenting the performance of approved manufacturing procedure. The Quality Assurance Department ensures the GMP compliance standard is met and is responsible for managing adverse drug reaction events. The Quality Control Department ensures necessary and relevant tests are carried out, so that neither materials are released for use nor products are supplied for sale until their quality has been confirmed satisfactory.

As for the finished products, the Group performs quality control tests on the full specifications for every batch. Products are released for sale only after confirming compliance with product specifications. In the rare case of product failure, the Group has in place product recall procedures with reference to the Pharmaceutical Products Recall Guidelines issued by the Department of Health of Hong Kong and the Group's policy on recycling, return and disposal of rejected products. The returned products should be transferred to the Group by its vehicle and handled by the Quality Assurance Department to place the returned products in the recycle area. It is necessary to return these products to the supplier for destruction.

The Group attaches great importance to marketplace monitoring. The designated employee is appointed as the responsible head who reviews, evaluates and investigates product complaints and product recalls in a timely manner as well as oversees the entire investigation program. Each subsidiary of the Group has formulated product recall management procedures as required. Once the product is found with a defect, product recall will be conducted in strict compliance with the procedures. The recall procedures are based on Pharmaceutical Products Recall Guidelines May 2021 as published by the Department of Health and intended to ensure that in the event of a necessary recall, the recall operations are effectively and efficiently carried out in order to safeguard public health. When pharmaceutical products are suspected of being potentially harmful to users due to their defective quality, safety or efficacy, they may be subjected to a recall and all related information must be report to the Drug Office, Department of Health, HKSAR.

PRODUCT RESPONSIBILITY (Continued)

PROMOTION AND SALES

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

Jacobson has established the Packaging and Labelling System for controlling the packaging and labelling of finished products. We conduct label examination and packaging and labelling operation controls on a regular basis. We adhere to the legal requirements including Undesirable Medical Advertisements Ordinance (Cap. 231) to ensure our promotion activities do not convey false or misleading messages and incomplete information about our products. The Group, being a member of the Hong Kong Association of the Pharmaceutical Industry, strictly follows the code of conduct, including the guidelines in drug promotion and sales. At the same time, it complies with the Trade Descriptions Ordinance (Cap. 362) and Undesirable Medical Advertisements (Amendment) Ordinance 2005 (UMA(A)O) of the Laws of Hong Kong to ensure all information displayed on labelling and advertisement in products have been reviewed by the relevant department before release.

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

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

During the Reporting Period, the Group had not recorded any major breach of relevant laws and regulations related to drug quality, labelling, promotion and sales, in addition to those already mentioned relevant laws and regulations including Consumer Goods Safety Ordinance (Cap. 456); Food Safety Ordinance (Cap. 612); Dangerous Drugs Ordinance (Cap. 134); Antibiotics Ordinance (Cap. 137); and Pharmacy and Poisons Ordinance (Cap. 138) of the Laws of Hong Kong. There was no product recall relating to safety and health reasons during the Reporting Period.

SUPPLY CHAIN MANAGEMENT

Recently stakeholders have become increasingly aware of how crucial it is for companies to fulfil their overall responsibilities throughout their supply chains. Jacobson recognises the impacts of production and operation activities on the environment, society and economy, and acknowledges the responsibility to manage these impacts. We actively engage with our suppliers so that they are aware of and comply with our standards on business ethics, environment, and health and safety. In relation to the supply chain, the Group's operations are subject to various laws, rules, regulations and policies in each jurisdiction that it operates including Dangerous Goods (General) Regulations, Import and Export Ordinance, Import and Export (General) Regulations, and Import and Export (Registration) Regulations.

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

Suppliers are expected to continuously improve their performance to provide safe workplaces, enable environmental resilience and operate with a high standard of business transparency and ethics. We assess and select suppliers based not only on the quality, cost, delivery, and services, but also on their ethical, environmental, and health and safety initiatives. In the supplier screening process, we collect their certificates, accreditations, organisation charts etc. and have "Active Pharmaceutical Ingredient Vendor Approval Questionnaire" and "Raw Material Vendor Assessment Form" to evaluate their regulatory profile, premise and facility, quality assurance and quality control, personnel etc. The approval process also comprises an on-site audit as well as regular monitoring and review, including qualification assessment and sample testing. We also obtain the Certificate of Analysis to ensure raw materials are specified and compliant with the relevant standards. The approval result is properly filed for future reference. As at the end of the Reporting Period, raw materials used for the production of the Group's generic drugs are sourced from over 400 suppliers, primarily located in Mainland China, Switzerland, the United Kingdom, Spain, South Korea, India and Taiwan.

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

SUPPLY CHAIN MANAGEMENT (Continued)

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

OUR PEOPLE

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

Our Employee Handbook which is accessible to all employees covers policies related to compensation and dismissal, recruitment and promotion, working hours, rest periods, diversity, anti-discrimination, benefits and welfare, training and development, bribery prevention and code of conduct.

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

EMPLOYMENT PROFILE

As at 31 March 2021, the Group had a total of 1,843 (2020: 1,944) employees. In addition, 2 (2020: 5) overseas employees were excluded from the ESG scope during the Reporting Period as they related only to a tiny fraction of the overall business activities. Of those 1,843 employees included in the scope, 1,695 (2020: 1,794) were employed in Hong Kong, and the remaining 148 (2020: 150) (Restated) were employed in Mainland China.

Employment Profile	Unit	2021	2020 (Restated)
Total number of employees	No.	1,843	1,944
By employment category			
Permanent	No.	1,695	1,764
Contracted and full-time	No.	148	180
By gender			
Male	No.	794	849
Female	No.	1,049	1,095
By age group			
18–30	No.	312	362
31–50	No.	766	822
Above 50	No.	765	760
By geographical region			
Hong Kong	No.	1,695	1,794
Mainland China	No.	148	150

OUR PEOPLE (Continued)

EMPLOYMENT PROFILE (Continued)

As at 31 March 2021, a total of 418 employees had resigned from the Group, with an average turnover rate of 19% (2020: 33%). The details of employee numbers by geographical region, gender, age and employment type are shown below:

Turnover	Unit	2021	2020
Total number of resigned employees	No.	418	639
Turnover rate	%	19	33
By employment category			
Permanent	No.	359	483
Contracted and full-time	No.	59	156
By gender			
Male	No.	185	236
Female	No.	233	403
By age group			
18–30	No.	127	187
31–50	No.	166	213
Above 50	No.	125	239
By geographical region			
Hong Kong	No.	389	607
Mainland China	No.	29	32

RECRUITMENT AND WELFARE

The Group offers competitive remuneration packages in the industry. It regularly reviews the internal remuneration packages at all levels and collects external remuneration information from the labour market. Share incentive schemes are also available to employees who make significant contributions to the Group. The employees have signed standard employment contracts with the Group. The remuneration packages of employees comprise basic salary, sales-related incentives and performance-related bonus.

Furthermore, the Group offers various benefit plans to employees including different leave types like annual, sick, maternity, paternity, marriage, jury/witness duty, compassionate and no pay leave, medical and life insurance schemes. The Group's employees in China Mainland are unionised as per local labour laws.

Jacobson sets performance attributes for its employees based on their positions and departments, and conducts performance review regularly. Any employment-related decisions such as recruitment, compensation, promotion, and performance evaluation are based on position, individual skills and competencies, as well as work performance. The Group applies the results of performance reviews to employees' salary adjustments, bonus and promotion justifications.

OUR PEOPLE (Continued)

DEVELOPMENT AND TRAINING

Jacobson believes investment in employee training and development can develop and retain professional talents, and contribute to its overall success. The staff development and training policy has been incorporated in our Employee Handbook. During the Reporting Period, a total of 7,505 (2020: 7,332) hours of training was provided to employees. The detail of total training hours by employee category is as follows:

Total training hours by employee category	Unit	FY2021	FY2020	% Change
Management	Hours	676	1,964	–66%
Non-management	Hours	6,829	5,368	+27%

To encourage employees at all levels to acquire professional knowledge to support their career growth and the Group's business needs, the Group nominates employees to participate in internal and external training and development programmes. The Group provides training sponsorship in accordance with the Company Sponsorship for External Studies/Training Policy for employees to enhance their professional and management skills and knowledge through attending various courses held by third parties. Orientation programme have been organised to provide general training on manufacturing skills, equipment operations, health and safety practices, GMP and PIC/S standards to new recruits and production staff.

Since hazardous substances are used in our laboratories, the Group conducted six laboratory safety training sessions for its business units during the Reporting Period. Through these training sessions, employees can keep up with the knowledge in the hazards associated with each chemical and the proper steps to protect themselves as well as their co-workers. We continue to monitor the needs of our employees and provide the required training to nurture a culture of learning and development within the Group.

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

OCCUPATIONAL HEALTH AND SAFETY

The Group is committed to shoulder the responsibility to protect the health and safety of its employees. The safety manager who closely monitors each premise to ensure the overall safety management has been designated. The Group is committed to comply with all significant health and safety laws and regulations which include the Occupational Safety and Health Ordinance (Cap. 509), Fire Safety (Buildings) Ordinance (Cap. 572) and Boilers and Pressure Vessels Ordinance (Cap. 56). During the Reporting Period, there was no significant regulatory non-compliance with the relevant laws and regulations relating to occupational health and safety.

The Group has also formulated proper safety measures in accordance with the requirements of Factory &Industrial Undertaking Regulations. The Safety Manual is established, periodically reviewed and updated by the safety manager in order to promote a safe work environment. Employees are well-informed of the safety principles as stipulated in the Safety Manual during their employment period. Any accident at workplace must be reported to the department manager, the safety manager and the Human Resources Department. Employees' Compensation Insurance is provided to the employees for injuries at work. SOPs on safety for the whole manufacturing process and hazardous chemicals management are available at each manufacturing site to ensure employees are working in line with the safety requirements. An external safety audit firm is engaged to conduct an annual safety review at the Group's manufacturing sites and logistics centre in order to ensure all safety policies and procedures are strictly adhered to.

The induction training on occupational health and safety was conducted to employee to reinforce their safety awareness so that they would response rapidly and appropriately in the unlikely event of fire or emergencies. The in-house first aid training which allowed employees learned how to examine a casualty, use a defibrillator, and familiarise themselves with basic life support was also conducted for eight days.

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

OUR PEOPLE (Continued)

OCCUPATIONAL HEALTH AND SAFETY (Continued)

In addition, Jacobson provides an annual physical examination to production employees. Upon completion of their probationary period, employees are eligible to join the Group's medical insurance scheme, which covers inpatient, outpatient and dental benefits.

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

Health and safety	Unit	FY2021	FY2020	% Change
Number of fatal cases arising from work accidents	No.	0	0	unchanged
Number of lost days arising from work accidents (days)[8,9]	Days	1,145	366	+213%

Enhanced COVID-19 Precautionary Measures

With the health and wellness of our employees and customers as our priority, we are committed to a high standard of safety and hygiene measures on all fronts against possible virus infection. To ensure a safe and healthy working environment, hand sanitisers and face masks are readily available to staff. All employees and visitors are required to wear masks, use hand rub, fill out the health declaration form and have their temperatures checked before entering the manufacturing facilities and office premises. Employees are required to quarantine for 7 days (office staff) or 14 days (frontline production staff) if any confirmed case is found in their residential buildings. A quarantined staff has to fill out the health declaration form upon return to work.

ANTI-DISCRIMINATION

The Group has zero tolerance towards any forms of discrimination or harassment in the workplace. We endeavour to create an inclusive and supportive workplace, free of harassment, intimidation, bias and discrimination on the grounds of age, gender, disability, religion, family status and obligations, race and colour. Employees are guided by the Policy on Equal Opportunities to prevent any inappropriate discrimination behaviour at the workplace. The Group ensures that personal attributes not related to the job requirements shall not affect the employment opportunities and treatment of employees.

LABOUR STANDARD

The Group strictly adheres strictly to ethical labour standard during recruitment. The Group prohibits forced labour and employment of child labour. We only recruit employees above the minimum working age and the age of the candidates is verified with their identification documents during the recruitment process. Employment policies regarding salary, working hours and overtime are all implemented in accordance with relevant laws and regulations. In case employees are assigned to different work schedules, they would be informed of the exact working hours in advance by the department manager. As stipulated in the Employee Handbook, when an employee is aware of or suspects any violation to the Group's Code of Conduct by another employee, including but not limited to child and forced labour, he or she will have the responsibility to report such incident immediately to the personnel appropriate to the circumstance.

ANTI-CORRUPTION

Jacobson strictly abides by the relevant laws and regulations of the jurisdictions where it operates, including the Anti-Corruption and Bribery Law of the People's Republic of China, the Criminal Law of the People's Republic of China and the Prevention of Bribery Ordinance in Hong Kong, with zero-tolerance for all forms of corruption, bribery, extortion, fraud and money laundering. During the Reporting Period, the Group did not record any misconduct or regulatory non-compliance related to bribery, extortion, fraud and money laundering. There was no concluded legal case regarding corruption brought against the Group or its employees during the Reporting Period.

Jacobson regards honesty, integrity and fair play as its core values, which must be upheld by all employees at all times. The Group prohibits all forms of bribery and corruption, and has in place the Bribery Prevention Policy. As per the policy, paying or receiving bribes and kickbacks in commercial transactions is strictly prohibited. It also provides clear guidance on the acceptance of gifts, and requires staff to report to the management for unavoidable gift acceptance. The Group takes these matters seriously and any breach of the policy will be subject to disciplinary action including termination of employment.

8 The data is newly reported this year

9 There was the same number of work accidents (20 cases) in FY2021 and FY2020, and the increase in lost days arising from work accidents in FY2021 was the result of 5 accidents, each with over 100 days of injury leave. We have looked into the cause of the injuries and took necessary follow-up actions to prevent future occurrences

OUR PEOPLE (Continued)

ANTI-CORRUPTION (Continued)

The Group promotes an anti-corruption culture among its employees by strictly adheres to the Bribery Prevention Policy. Employees shall sign the Declaration of Conflict of Interest Form and report to the Department Head of Finance in case of any conflict of interest during the discharge of duties. An investigation will be carried out promptly for any suspected incident of fraud and staff will be dismissed if proven to have committed any fraud. In addition, Jacobson encourages staff to report any issues of suspected corruption to the Human Resources Department or other suspected criminal offence to law enforcement authorities.

COMMUNITY

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

EDUCATION SPONSORSHIP AND INTERNSHIP OPPORTUNITIES

Supporting education initiatives and collaborative research and development projects with local and overseas universities is a significant part of our core community care mission. We are committed to ensuring the sustainable development of the pharmaceutical industry with the cultivation of talented and dedicated professionals.

During the Reporting Period, we were proud to support the following awards and scholarships for the LKS Faculty of Medicine of the University of Hong Kong and the School of Pharmacy of the Chinese University of Hong Kong to recognise students who have outstanding performance in pharmaceutical studies and researches. These included:

For LKS Faulty of Medicine of the University of Hong Kong

- Jacobson Outstanding Award in Research Project 2019-2020
- Jacobson Prize in Pharmaceutical Science 2019-2020
- Jacobson Scholarship 2019-2020

For School of Pharmacy of the Chinese University of Hong Kong

- Jacobson Admission Scholarship Awards
- Jacobson Undergraduate Fellowship Awards
- Jacobson Pharmacy Outstanding Subject Prize Awards

To allow students the opportunity to apply acquired knowledge to actual work experience and acquaint themselves with the field they are interested in, the Group ran recurring internship programmes for local and overseas university students to support their professional and personal developments. A particular example was the Hoitin Concentrated Chinese Herbs Scholarship (海天濃縮中藥獎學金) we operated which supported an internship program for students of the School of Chinese Medicine of the Chinese University of Hong Kong.

As a corporate social citizen and a health journey partner, we care about not only the wellbeing of the patients we serve but also the society in which we operate.

Supporting Communities Affected by the COVID-19 Pandemic

We acted as a co-sponsor and donated to the "HKCSS Subdivided Unit Subsidy Program" jointly organised by the Hong Kong Council of Social Service and Standard Chartered Bank of Hong Kong. The program has helped raise funds to provide rental subsidies to the underprivileged class who lived in subdivided units and had financial difficulties.

To ride out the storm with the grassroots community and support households that face challenges in meeting their rental payments during the COVID-19 outbreak, Jacobson took part in the second phase of donations which increased the number of beneficiaries to at least 4,000 and relaxed the income reduction requirement for applicants. Low-income families whose average monthly income in the last quarter did not exceed the monthly income limit of the Working Family Allowance Scheme (full-rate allowance) with average household income dropping 20% or more during the COVID-19 outbreak are also eligible.

Embedded with the mission for the betterment of our society, we will continue to dedicate our corporate responsibility efforts to enhancing the communities we care for and serve.

APPENDIX I: STOCK EXCHANGE ESG REPORTING GUIDE INDEX

	Aspects	Section
A	**Environmental**	
A1	Emissions Policies relating to air and greenhouse gas emissions, discharges into water and land and generation of hazardous and non-hazardous waste. Compliance with relevant laws and regulations that have a significant impact on the issuer.	Environmental Protection
A1.1	The types of emissions and respective emission data.	Air emissions are not identified as material to the Group and the data are not tracked. We will continue to review our disclosure on an ongoing basis.
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Air and Greenhouse Gas (GHG) Emissions
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management
A1.5	Description of measures to mitigate emissions and result achieved.	Air and Greenhouse Gas (GHG) Emissions; Energy Conservation
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Waste Management
A2	Use of Resources Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Protection
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Energy Conservation
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water Management
A2.3	Description of energy use efficiency initiatives and result achieved.	Energy Conservation
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Water Management
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Packaging Materials
A3	The Environment and Natural Resources Policies on minimising the issuer's significant impact on the environment and natural resources.	Care for the Environment
A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them.	Care for the Environment

APPENDIX I: STOCK EXCHANGE ESG REPORTING GUIDE INDEX (Continued)

	Aspects	Section
B	**Social**	
B1	Employment Policies on employment and compliance with local laws and regulations that have a significant impact on the issuer regarding the following: • Compensation and dismissal • Recruitment and promotion • Working hours and rest periods • Equal opportunity and anti-discrimination • Diversity • Other benefits and welfare	Our People; Employment Profile
B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment Profile
B1.2	Employee turnover rate by gender, age group and geographical region.	Employment Profile
B2	Health and Safety Policies on providing a safe working environment and protecting employees from occupational hazards and compliance with relevant laws and regulations.	Occupational Health and Safety
B2.1	Number and rate of work-related fatalities.	Occupational Health and Safety
B2.2	Lost days due to work injury.	Occupational Health and Safety
B2.3	Description of occupational health and safety measures adopted and how they are implemented and monitored.	Occupational Health and Safety
B3	Development and Training Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Relevant training data cannot be categorised by gender
B3.2	The average training hours completed per employee by gender and employee category.	No relevant data was collected during this Reporting Period, but the total training hours was disclosed.
B4	Labour Standards Policies and compliance with laws and regulations on preventing child and forced labour.	Our People; Labour Standards
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Our People; Labour Standards
B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards

APPENDIX I: STOCK EXCHANGE ESG REPORTING GUIDE INDEX (Continued)

	Aspects	Section
B5	Supply Chain Management Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
B5.1	Number of suppliers by geographical region.	Supply Chain Management
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
B6	Product Responsibility Policies and compliance with relevant laws and regulations on health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
B6.2	Number of products and service related to complaints received and how they are dealt with.	–
B6.3	Description of practices relating to observing and protecting intellectual property rights.	No relevant data was collected during this Reporting Period
B6.4	Description of quality assurance process and recall procedures.	Product Responsibility
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Immaterial since the Group does not collect consumers' data
B7	Anti-corruption Policies and compliance with relevant laws and regulations relating to bribery, extortion, fraud and money laundering.	Anti-corruption
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Anti-corruption
B7.2	Description of preventive measures and whistle – blowing procedures, how they are implemented and monitored.	Anti-corruption
B8	Community Investment Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community
B8.2	Resources contributed (e.g. money or time) to the focus area.	Community

Report of the Directors

The Board is pleased to present their report and the audited financial statements of the Group for the year ended 31 March 2021.

PRINCIPAL ACTIVITY

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

BUSINESS REVIEW

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

PRINCIPAL RISKS AND UNCERTAINTIES

The following is a summary of the principal risks and uncertainties identified by the Company which may have material and adverse impact on its business or operation, and how the Company endeavours to manage the risks involved. There may be other principal risks and uncertainties in addition to those shown below which are not known to the Company or which may not be material now but could turn out to be material in the future.

- The Group operates in pharmaceutical manufacturing industry and is subject to various regulations; failure to comply with pharmaceutical or other regulations may restrict our business operations. The Group has dedicated quality control and quality assurance team in each manufacturing plant to ensure compliance with relevant regulations.

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

- The Group operates in generic drugs business and development of new products provides additional growth driver for the Group. However, we may not be able to develop and launch new product according to our schedule. The Group continues to invest in the research and development of new products and engage external experts to enhance our overall R&D capability.

- The Group is also exposed to risks of liability and loss due to defective products as well as damage to the Group's reputation. 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. Further details on "Risk Management and Internal Control" are set out in the Corporate Governance Report of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

During the Reporting Period, there was no significant regulatory non-compliance with applicable environmental laws and regulations. Further details are set out in the "Environmental, Social and Governance Report" of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

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

BUSINESS REVIEW (Continued)

KEY RELATIONSHIPS

Customers

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

Employees

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

Suppliers

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

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

RESULTS AND DIVIDENDS

The Group's profits for the Reporting Period and the Group's financial position at the end of Reporting Period are set out in the financial statements on pages 69 to 136 of this annual report.

The Board recommends to declare a final dividend of HK1.5 cents per Share for FY2021 (FY2020: final dividend of HK2.5 cents per Share), subject to the approval of shareholders of the Company at the 2021 AGM to be held on 23 September 2021 (Thursday), which is expected to be paid on 19 October 2021 (Tuesday) to shareholders whose names appear on the register of members of the Company on 8 October 2021 (Friday), being the record date for determining shareholders' entitlement to the proposed final dividend. In additional to an interim dividend of HK0.8 cent per Share paid on 6 January 2021, a special interim dividend was made on 5 February 2021 in the form of distribution in specie of 241,777,625 JBM Healthcare Shares on the basis of 1 JBM Healthcare Share for every 8 Shares held by shareholders of the Company whose names appear on the register of members of the Company on 29 January 2021. Based on the price of HK$1.20 per JBM Healthcare Share on 5 February 2021, the special interim dividend represented a distribution of approximately HK15.0 cents per Share. The total dividend for FY2021 amounts to HK17.3 cents per Share (FY2020 total dividend: HK4.5 cents per Share). The details of final dividend of the Company are set out in note 9 to the consolidated financial statements.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, is set out on page 137 of this annual report. This summary does not form part of the audited financial statements.

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES

The reserves available for distribution to the shareholders by the Company at 31 March 2021 consisted of share premium, distributable reserve and retained profits totaling HK$2,092,954,000 (31 March 2020: HK$2,167,584,000). Movements in the reserves of the Company and the Group during the year are set out in note 25 to the consolidated financial statements on page 122 and the Consolidated Statement of Changes in Equity on page 72 of this annual report respectively.

BORROWINGS

Particulars of borrowings of the Group as at 31 March 2021 are set out in note 22 to the consolidated financial statements.

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.

DIRECTORS

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

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

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

In accordance with the provisions of the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. All Directors appointed by the Board shall then be eligible for re-election at the annual general meeting. At the 2021 AGM, Professor Lam Sing Kwong, Simon, Mr. Young Chun Man, Kenneth and Professor Wong Chi Kei, Ian will retire and, being eligible, will offer themselves for re-election.

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

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

CHANGE OF INFORMATION ON DIRECTORS

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

(a) **Mr. Sum Kwong Yip, Derek**, an executive Director, chairman of the Board and the chief executive officer of the Company, has been appointed as the chairman of the board and a non-executive director of JBM Healthcare (stock code: 2161), a non-wholly owned subsidiary of the Company and the issued shares of which are listed on the Main Board, since 22 September 2020.

(b) **Mr. Yim Chun Leung**, an executive Director of the Company, has been appointed as a non-executive director of JBM Healthcare (stock code: 2161), a non-wholly owned subsidiary of the Company and the issued shares of which are listed on the Main Board, since 22 September 2020.

(c) **Ms. Pun Yue Wai**, an executive Director of the Company, has entered into a service agreement with the Company for a renewed term of two years from 1 February 2021.

DIRECTORS' BIOGRAPHIES

(A) EXECUTIVE DIRECTORS

Mr. Sum Kwong Yip, Derek, aged 58, is the founder of the Group. Mr. Sum is also an executive Director, chairman of the Board and the chief executive officer of the Company since 1 April 2016, chairman of the Executive Committee since 22 November 2017 and chairman of scientific advisory committee of the Company. He has been appointed as the chairman of the Award Committee established for the purpose of the Share Award Scheme. He is also a director of a substantial shareholder and controlling shareholder of the Company, namely Queenshill and Kingshill, and certain subsidiaries of the Group. He is mainly responsible for the overall strategic planning and operation management of the Group. He also spearheads the planning of our product development and technological research functions. Mr. Sum joined the Group in September 1998 as managing director, mainly responsible for business management and strategic development. Mr. Sum has over 33 years of sales and corporate management experience in the pharmaceutical industry.

Mr. Sum is the chairman of the board and a non-executive director of JBM Healthcare (stock code: 2161), a non-wholly owned subsidiary of the Company and the issued shares of which are listed on the Main Board, since 22 September 2020.

Prior to joining the Group, Mr. Sum held various management positions in multi-national corporations. He started his career in pharmaceutical industry with Sandoz Division of Edward Keller Limited in April 1988 and moved on to take up a management position with Watsons Pharmaceutical Limited under Hutchison Whampoa Limited in November 1988. In 1990, Watsons Pharmaceutical Limited was renamed as JDH Pharmaceutical Limited. Since then, Mr. Sum had worked in the Inchcape Group and he was the chief executive of Hong Kong and China of the pharmaceutical division under Inchcape JDH Limited back in 1998 before he embarked upon his entrepreneurial pursuit with the Group. Mr. Sum has been a member of the advisory committee of the school of pharmacy of The Chinese University of Hong Kong since June 2007.

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

DIRECTORS' BIOGRAPHIES (Continued)

(A) EXECUTIVE DIRECTORS (Continued)

Mr. Yim Chun Leung ("Mr. Yim"), aged 59, is an executive Director since 1 April 2016, a member of the Nomination Committee since 21 September 2016, and a member of the Executive Committee since 22 November 2017. He has been appointed as a member of the Award Committee established for the purpose of the Share Award Scheme. Mr. Yim was a company secretary of the Company from 1 July 2019 to 31 March 2021. He is also a director of certain subsidiaries of the Group. Mr. Yim joined the Group as an independent non-executive director of Jacobson Pharma Group (BVI) Limited in September 2008. Mr. Yim is mainly responsible for corporate management, strategic development and investor relationship functions of the Group. Mr. Yim has over 36 years of experience in the auditing, accounting and corporate finance fields.

Mr. Yim has been appointed as a non-executive director of JBM Healthcare (stock code: 2161), a non-wholly owned subsidiary of the Company and the issued shares of which are listed on the Main Board, since 22 September 2020. He is also an independent non-executive director of China New City Commercial Development Limited (stock code: 1321) since May 2014.

Mr. Yim has served in numerous companies listed on the Main Board. He served as an executive director of LVGEM (China) Real Estate Investment Company Limited (formerly known as New Heritage Holdings Ltd., stock code: 95) from December 2004 and its chief executive officer from July 2014, respectively until he resigned in March 2016. From May 2002 to June 2004, Mr. Yim served as the financial controller of Soundwill Holdings Limited (stock code: 878). From December 2000 to February 2002, Mr. Yim served as the chief financial officer of Sinolink Worldwide Holdings Limited (stock code: 1168). From January 1998 to April 1999, Mr. Yim served as an executive director of N P H International Holdings Limited (now known as Concord New Energy Group Limited, stock code: 182). From January 1994 to January 1998, Mr. Yim served as the finance director of Tysan Holdings Limited (stock code: 687). From June 1987 to December 1993, Mr. Yim worked at GPI International Limited (a subsidiary of Gold Peak Industries (Holdings) Limited, stock code: 40) and his last position was assistant financial controller.

Mr. Yim is the brother-in-law of Professor Lam Sing Kwong, Simon, a non-executive Director.

Mr. Yim obtained a master of Business Administration degree from the University of Manchester, United Kingdom in June 2008. He has been a non-practising member of the Hong Kong Institute of Certified Public Accountants since January 1991, a fellow of the Chartered Association of Certified Accountants since October 1995, and a fellow of the Institute of Chartered Accountants in England and Wales since April 2015.

Ms. Pun Yue Wai ("Ms. Pun"), aged 69, is an executive Director, a member of the Remuneration Committee since 1 February 2017 and a member of the Executive Committee since 22 November 2017. She is also a director of certain subsidiaries of the Group and a vice president of the Company and is mainly in charge of the administration function of the Group. Ms. Pun has joined the Group since August 1998 and is one of the longest-serving employees of the Group. Since joining the Group, Ms. Pun has held various management positions within the Group.

(B) NON-EXECUTIVE DIRECTOR

Professor Lam Sing Kwong, Simon ("Professor Lam"), aged 62, was appointed as a non-executive Director on 11 April 2016. On 1 August 2020, Professor Lam was appointed as a member of the Audit Committee and the chairman of Risk Management Committee. Professor Lam is mainly responsible for advising the Board on corporate strategies and governance development. Professor Lam is currently a professor of Management and Strategy at the Faculty of Business and Economics of the University of Hong Kong. Professor Lam obtained a doctorate degree in commerce from the Faculty of Economics and Commerce at the Australian National University in April 1996. Professor Lam has published a number of academic papers and case analyses on the topics of corporate strategy, organisation development and operations management. Before joining the University of Hong Kong, Professor Lam worked as a regional support manager of a bank.

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

Professor Lam is currently an independent non-executive director of Overseas Chinese Town (Asia) Holdings Limited (stock code: 3366), Sinomax Group Limited (stock code: 1418) and Kwan On Holdings Limited (stock code: 1559). Professor Lam is the brother-in-law of Mr. Yim Chun Leung, an executive Director.

DIRECTORS' BIOGRAPHIES (Continued)

(C) INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lam Kwing Tong, Alan ("Dr. Lam"), aged 58, is an independent non-executive Director since 30 August 2016, the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee respectively since 21 September 2016. Dr. Lam has been running his private general dental practice in Hong Kong since 1998. Prior to that, Dr. Lam started his own dental practice in April 1989 in London and he sold his dental business in April 1994.

Dr. Lam graduated from the University of Glasgow in the United Kingdom with a bachelor of dental surgery degree in December 1987. He obtained the diploma of member in general dental surgery from the Royal College of Surgeons of Edinburgh in November 1999.

Dr. Lam was granted a Diploma of membership in general dentistry by The College of Dental Surgeons of Hong Kong in November 2013.

Mr. Young Chun Man, Kenneth ("Mr. Young"), aged 57, is an independent non-executive Director since 30 August 2016, the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee respectively since 21 September 2016. Mr. Young is the founder and director of AITIA (HK) CPA LIMITED, a member of TGS Global, since January 2015. Mr. Young is mainly responsible for developing strategies for the growth of the practice, and to implement proper governance and risk management. He has over 18 years of professional experience in audit and accounting fields as a partner at HLB Hodgson Impey Cheng (formerly known as Hodgson Impey Cheng) from September 1994 to March 2011. Mr. Young was an independent non-executive director of China Tonghai International Financial Limited (formerly known as Quam Limited and China Oceanwide International Financial Limited, stock code: 952), the issued shares of which are listed on the Main Board, since September 2012 until February 2017. He has also been serving as a member of the audit committee and a council member of SAHK (香港耀能協會), a charitable organisation, since 2013 and 2015, respectively.

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

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

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

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

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

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

DIRECTORS' EMOLUMENTS

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

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transactions, arrangements and contracts that were significant in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which any Director or the Director's connected entity or any of the Controlling Shareholders (or any of their subsidiaries) had a material interest, whether directly or indirectly, subsisted at the end of the FY2021 or at any time during the FY2021.

INTERESTS IN COMPETING BUSINESS

As at 31 March 2021, none of the Directors is interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a renewed term of three years from 1 April 2019, except Ms. Pun Yue Wai, whose renewed term is for two years from 1 February 2021, all of which may be terminated by either party giving to the other party not less than three months' notice in writing. Each of the non-executive Directors, including the independent non-executive Directors, has entered into a letter of appointment with the Company for a term of three years from 30 August 2019, except Professor Wong Chi Kei, Ian, whose letter of appointment with the Company is for a renewed term of three years from 1 December 2020, all of which may be terminated earlier by either party serving on the other party not less than one month's notice in writing.

None of the Directors proposed for re-election at the 2021 AGM is a party to any service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group, which were not a contract of service with any Director or any person engaged in the full-time employment of our Company, were entered into or in existence during the Reporting Period.

EQUITY-LINKED AGREEMENTS

SHARE OPTION SCHEME

The Share Option Scheme of the Company was adopted by shareholders of the Company on 30 August 2016. A summary of the Share Option Scheme is as follows:

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

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

The life of the Share Option Scheme is ten years commencing on 30 August 2016 and expiring on 29 August 2026. As at 31 March 2021, the maximum number of ordinary shares of the Company which may be issued upon exercise of all share options that may be granted under the Share Option Scheme (excluding options that were granted but outstanding, cancelled or lapsed in accordance with the Share Option Scheme) was 138,000,000 shares, representing approximately 7.13% of the issued shares of the Company as at the date of this annual report.

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

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

EQUITY-LINKED AGREEMENTS (Continued)

SHARE OPTION SCHEME (Continued)

The total number of shares issued and to be issued to each participant under the Share Option Scheme on exercise of his/her options (including both exercised and outstanding options) during any 12-month period shall not exceed 1% of the total shares of the Company then in issue.

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

Since the effective date of the Share Option Scheme and up to 31 March 2021, 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 37,000,000 share options were lapsed or forfeited and no share option had been exercised under the Share Option Scheme since their respective date of grant. Details of the movement in the share options under the Share Option Scheme during the Reporting Period and outstanding as at 31 March 2021 were as follows:

	Number of share options								
	Outstanding as at 1 April 2020	Granted during the year	Exercised during the year	Lapsed or forfeited during the year	Cancelled during the year	Outstanding as at 31 March 2021	Date of grant	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	–	–			
Grant Total	10,880,000	–	–	10,880,000	–	–			

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

EQUITY-LINKED AGREEMENTS (Continued)

SHARE AWARD SCHEME

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

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

On 16 October 2018, 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 31 March 2021, the Trustee has purchased 18,554,000 existing shares of the Company from the market. During the Reporting Period, no share was issued to the Trustee under the Share Award Scheme, and no share award 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.

DEED OF NON-COMPETITION

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

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

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

According to the Deed of Non-competition, the undertakings given by the Covenantors under the Deed of Non-competition shall lapse and the Covenantors shall be released from the restrictions imposed on it upon occurrence of the earlier of either of: (i) the date on which the Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of the Shares); or (ii) the Covenantors and/or their associates (other than any member of the Group) cease to hold or otherwise be interested in, whether directly or indirectly, 30% or more of the voting rights of the Company, whichever occurs first.

On 31 March 2020, Kingshill, Longjin and Mr. Lau have terminated their Deed of Acting in Concert dated 8 January 2016 and Longjin and Mr. Lau ceased to hold, directly or indirectly 30% or more of the voting rights of the Company. Notwithstanding of the aforesaid, since the Controlling Shareholders, being three of the Covenantors (the "**Remaining Covenantors**"), still hold, directly or indirectly, 30% or more of the voting rights of the Company, the Remaining Covenantors will continue to be bound by the non-competition undertaking under the Deed of Non-competition.

The Remaining Covenantors confirmed that they have complied with the Deed of Non-competition for FY2021. The independent non-executive Directors have conducted a review for FY2021 and also reviewed the relevant undertakings and are satisfied that the Deed of Non-competition has been fully complied.

PERMITTED INDEMNITY PROVISION

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

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

As at 31 March 2021, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were taken or deemed to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to section 347 of the SFO and the Model Code were as follows:

(I) INTERESTS IN SHARES OF THE COMPANY

Name of Director	Capacity/Nature of Interest	Number of Shares	Approximate percentage of issued share capital of the Company	Long position/ Short position/ Lending pool
Mr. Sum[1]	Beneficial owner Interests in controlled corporation Settlor of trusts Beneficiary of trusts	1,140,276,000	58.95%	Long position
Mr. Yim	Beneficial owner	29,820,000	1.54%	Long position
Ms. Pun	Beneficial owner	2,210,000	0.11%	Long position
Dr. Lam	Interests of spouse	600,000	0.03%	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 287,592,000 shares in the Company. By virtue of the SFO, Mr. Sum is deemed to be interested in the 287,592,000 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 SHARES OF ASSOCIATED CORPORATION – JBM HEALTHCARE

Name of Director	Capacity/Nature of Interest	Number of Shares	Approximate percentage of issued share capital of the associated corporation	Long position/ Short position/ Lending pool
Mr. Sum[1]	Beneficial owner Interests in controlled corporation Settlor of trusts Beneficiary of trusts	622,594,375	69.67%	Long position
Mr. Yim	Beneficial owner	3,727,500	0.42%	Long position
Ms. Pun	Beneficial owner	276,250	0.03%	Long position
Dr. Lam	Interests of spouse	58,750	0.01%	Long position

Note:

(1) Mr. Sum is the registered and beneficial owner of 250,000 shares in JBM Healthcare. Queenshill also held 35,786,500 shares in JBM Healthcare. JBM Group BVI, a wholly-owned subsidiary of the Company, is the registered and beneficial owner of 480,222,375 shares in JBM Healthcare. Lincoln's Hill Development Limited ("**Lincoln's Hill**") (a fellow subsidiary of Kingshill under Trust Co), as nominated by Kingshill under the Jacobson Pharma Distribution, holds 106,335,500 shares in JBM Healthcare, for the purpose of trust asset management of the Kingshill Trust.

The Company is owned as to approximately 43.98%, 14.86% and 0.1% by Kingshill, Queenshill and Mr. Sum (in his personal capacity), respectively. Each of Lincoln's Hill and Kingshill is wholly-owned by Trust Co under The Kingshill Trust. Trust Co is in turn wholly-owned by UBS Trustees (B.V.I.) Limited (the trustee of The Kingshill Trust) through its nominee, UBS Nominees Limited. Queenshill is wholly-owned by Mr. Sum. By virtue of the SFO, Mr. Sum is deemed to be interested in the shares of JBM Healthcare in which the Company, JBM Group BVI, Lincoln's Hill and Queenshill are interested.

Save as disclosed above, so far as known to any Directors as at 31 March 2021, none of the Directors or chief executive of the Company or any of their close associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which they were taken or deemed to have under such provisions of the SFO, or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to section 347 of the SFO and the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 31 March 2021, 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	287,592,000	14.86%	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	1,140,276,000	58.95%	Long position
Yunnan Baiyao Group[4]	Beneficial owner	200,000,000	10.34%	Long position
Longjin[5]	Beneficial owner	157,050,000	8.11%	Long position
Mr. Lau[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 287,592,000 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 and Trust Co 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.

(4) Pursuant to the subscription agreement dated 14 August 2018 entered into by Yunnan Baiyao and the Company in relation to the subscription of 200,000,000 new ordinary Shares in the Company 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 is owned as to 75% by Mr. Lau. By virtue of SFO, Mr. Lau is deemed to be interested in the 157,050,000 Shares held by Longjin.

Save as disclosed above, as at 31 March 2021, the Directors are not aware of any other person (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CONNECTED TRANSACTION

On 27 July 2020, Sampan Development Limited ("**Sampan**") (an indirect wholly-owned subsidiary of the Company) entered into a sale and purchase agreement with Ms. Yang Hua ("**Ms. Yang**") (a connected person of the Company at subsidiary level) and JBM Healthcare, pursuant to which Sampan conditionally agreed to acquire and Ms. Yang conditionally agreed to sell the 10 issued shares of Orizen, an indirect non-wholly-owned subsidiary of the Company incorporated in the British Virgin Islands, representing 10% of the total issued share capital of Orizen, at a consideration of HK$30,000,000 (the "**Acquisition**"), which was satisfied by way of an allotment and issuance of 30,000,000 shares by JBM Healthcare to Ms. Yang (the "**Deemed Disposal**"). As at 27 July 2020, Ms. Yang is a director of Orizen and holds 10% of the total issued share capital in Orizen, and as such is a connected person of the Company at subsidiary level pursuant to the Listing Rules. Accordingly, the Acquisition and the Deemed Disposal each constitutes a connected transaction of the Company at subsidiary level under Chapter 14A of the Listing Rules.

The Group is principally engaged in the development, production, marketing and sale of generic drugs and branded healthcare products. Through previous acquisitions, the Company had indirectly through Sampan acquired an aggregate interest of 88% in Orizen since August 2019. Hong Kong Premier Concentrated Chinese Herbs Limited ("**HK Subsidiary**"), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Orizen, has recorded a steady growth of 5.4% in terms of net profit before taxation for the year ended 31 March 2020. By raising our shareholding stakes in Orizen alongside the Company's reorganisation move, we are able to further consolidate our control in the proprietary Chinese medicine business of Orizen and the HK Subsidiary. It also reinforces the Group's strategies of pursuing acquisitions that would bring about strategic fit to our business portfolio and generate long term values to our shareholders.

CONTINUING CONNECTED TRANSACTIONS

Upon the listing of shares of JBM Healthcare on the Main Board ("**Listing**") on 5 February 2021, the following transactions in our ordinary and usual course of business constituted continuing connected transactions of our Company under Chapter 14A of the Listing Rules. Details of the following transactions were disclosed in the prospectus of JBM Healthcare dated 26 January 2021.

(I) LOGISTICS SERVICES AGREEMENT

On 19 January 2021, our Company (on behalf of our subsidiaries excluding JBM Healthcare Group) entered into an agreement (the "**Logistics Services Agreement**") with JBM Healthcare (on behalf of its subsidiaries) which is conditional upon the Listing, to govern the provision of logistics services by the Jacobson Connected Persons to JBM Healthcare Group.

The reasons of JBM Healthcare Group for using such logistics services provided by the Jacobson Connected Persons upon the Listing are, among others, (i) the Jacobson Connected Persons and JBM Healthcare Group have established a long-term business relationship and the Jacobson Connected Persons are familiar with the operation flow, product delivery and specific logistics requirements of JBM Healthcare Group and are therefore a reliable supplier of such services; (ii) the logistics aspects of on-going operations of JBM Healthcare Group can continue undisrupted; and (iii) the charges and terms of the utilisation of such logistics services are no less favorable than those provided by independent third parties for similar services.

The Logistics Services Agreement has an initial term commencing on 5 February 2021 and expiring on 31 March 2023, and is renewable upon expiry at the discretion of JBM Healthcare Group on terms to be agreed by the parties. The Logistics Services Agreement may be terminated during its term by JBM Healthcare by giving our Company not less than three-month's prior written notice.

The charges payable by JBM Healthcare Group for the utilisation of logistics services will be determined with reference to the costs of the Jacobson Connected Persons providing relevant services (taking into account, among others, labor costs, trucking operations and maintenance costs and other related costs) plus a profit margin of 10.0%. The finance department of JBM Healthcare Group will also make reference to quotations of other logistics services provided by independent third parties from time to time to ensure that the terms offered to them under the Logistics Services Agreement will be comparable to or better than that offered by independent third parties.

The annual caps of charges and service fees under the Logistics Services Agreement for the two years ending 31 March 2022 and 2023 will be HK$5,500,000 and HK$6,500,000 respectively.

CONTINUING CONNECTED TRANSACTIONS (Continued)

(II) MANUFACTURING SERVICES AGREEMENT

On 19 January 2021, our Company (on behalf of our subsidiaries excluding JBM Healthcare Group) entered into an agreement (the "**Manufacturing Services Agreement**") with JBM Healthcare (on behalf of its subsidiaries) which is conditional upon the Listing, to govern (i) the provision of manufacturing services of selected generic drugs (being primarily non-branded and non-proprietary cough syrup and capsules for cough and nasal congestion (the "**Selected Generic Drugs**") by JBM Healthcare Group to the Jacobson Connected Persons and (ii) the provision of manufacturing services of antiseptic hand rubs and other selected branded healthcare products (such as antiseptic alcohol, lotion and mouthwash) under JBM Healthcare Group's Dr. Freeman (醫臣) brand (together, "**Dr. Freeman Products**") by the Jacobson Connected Persons to JBM Healthcare Group.

The manufacture and sale of the Selected Generic Drugs and the relevant production facilities had been part of the Ho Chai Kung business prior to its acquisition by JBM Healthcare Group (the "**HCK Acquisition**"). Given the nature of the products, the marketing and sales of the Selected Generic Drugs were restructured and accordingly conducted under the manufacturing, marketing and sale of generic drugs of the Group (excluding JBM Healthcare Group) following the HCK Acquisition. Nevertheless, due to the pre-existing product registration and manufacturing license arrangements and to make use of the spare production capacity of the relevant production facilities, the production of the Selected Generic Drugs has remained under the Ho Chai Kung business (which forms part of JBM Healthcare Group pursuant to the Reorganisation) and is accordingly being formalised under the Manufacturing Services Agreement as continuing connected transactions.

On the other hand, JBM Healthcare Group has established a long-term business relationship with the Jacobson Connected Persons and JBM Healthcare Group is a reliable business partner and stable customer to the Group.

The Manufacturing Services Agreement has an initial term commencing on 5 February 2021 and expiring on 31 March 2023, and is renewable upon expiry at the discretion of JBM Healthcare Group on terms to be agreed by the parties. The Manufacturing Services Agreement may be terminated during its term by JBM Healthcare (in respect of the manufacturing services of Dr. Freeman Products) by giving our Company not less than three-month's prior written notice or by agreement of both parties.

The manufacturing services fees of the Selected Generic Drugs payable by the Jacobson Connected Persons to JBM Healthcare Group and the manufacturing services fees payable by JBM Healthcare Group to the Jacobson Connected Persons under the Manufacturing Services Agreement will be determined with reference to the costs of manufacturing, including all fixed and variable costs of labor, raw materials, electricity and utility charges and other production overheads, plus a profit margin of 15.0%, which will be no less favorable than (i) the prices chargeable by JBM Healthcare Group to independent third parties or (ii) the prices chargeable by independent third parties to JBM Healthcare Group.

The annual caps of manufacturing services fees of the Selected Generic Drugs under the Manufacturing Services Agreement for the two years ending 31 March 2022 and 2023 will be HK$3,500,000 and HK$3,500,000 respectively.

The annual caps of manufacturing services fees of the Dr. Freeman Products under the Manufacturing Services Agreement for the two years ending 31 March 2022 and 2023 will be HK$6,500,000 and HK$6,500,000 respectively.

CONTINUING CONNECTED TRANSACTIONS (Continued)

(III) OVERSEAS SALES ADMINISTRATIVE SERVICES AGREEMENT

On 19 January 2021, our Company (on behalf of our subsidiaries excluding JBM Healthcare Group) entered into an agreement (the "**Overseas Sales Administrative Services Agreement**") with JBM Healthcare (on behalf of its subsidiaries) which is conditional upon the Listing, to govern the provision of the overseas sales administrative services of the Group (excluding JBM Healthcare Group) in Macau, Singapore and Taiwan to JBM Healthcare Group.

The reasons for entering into the Overseas Sales Administrative Services Agreement are that, among others, the JBM Healthcare Group has established a long-term business relationship with the Group and is a reliable business partner and stable customer to the Group.

The Overseas Sales Administrative Services Agreement has an initial term commencing on 5 February 2021 and expiring on 31 March 2023, and is renewable upon expiry at the discretion of JBM Healthcare Group on terms to be agreed by the parties. The Overseas Sales Administrative Services Agreement may be terminated during its term by JBM Healthcare by giving our Company not less than three-month's prior written notice or by agreement of both parties.

The services fee under the Overseas Sales Administrative Services Agreement payable by JBM Healthcare Group will be determined with reference to the costs and expenses of providing relevant services (such as salaries of staff employed and related expenses, and general office and administrative expenses).

The annual caps of service fees under the Overseas Sales Administrative Services Agreement for the two years ending 31 March 2022 and 2023 will be HK$4,200,000 and HK$4,500,000 respectively.

As at the date of this annual report, (i) JBM Healthcare is owned as to approximately 53.74% by JBM Group BVI, (ii) JBM Group BVI is a direct wholly-owned subsidiary of the Company. Mr. Sum, an executive Director and a substantial shareholder, is interested in approximately 15.93% of the issued share capital of JBM Healthcare (other than through his interests in the Company) comprising of (a) approximately 11.9% of the issued share capital of JBM Healthcare through Lincoln's Hill, which is wholly-owned by Trust Co under the Kingshill Trust, a discretionary trust established by Mr. Sum (as the settlor) with Mr. Sum and his family members as discretionary beneficiaries, (b) approximately 4.0% of the issued share capital of JBM Healthcare through Queenshill, which is wholly-owned by Mr. Sum, and (c) approximately 0.03% of the issued share capital of JBM Healthcare in the capacity of beneficial owner. By virtue of Rule 14A.16 of the Listing Rules, JBM Healthcare is therefore a connected subsidiary of the Company. As such, transactions contemplated under each of the abovementioned Logistics Services Agreement, Manufacturing Services Agreement and Overseas Sales Administrative Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios is more than 0.1% but less than 5%, pursuant to Rule 14A.76(2)(a) of the Listing Rules, each of these continuing connected transactions will be exempt from the circular and independent shareholders' approval requirements but subject to the announcement, reporting, and annual review requirements under Chapter 14A of the Listing Rules.

Save as disclosed above, none of the related party transactions constitutes a discloseable connected transaction or a continuing connected transaction under Chapter 14A of the Listing Rules. It is confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, the aggregate revenue attributable to the Group's five largest customers was 47.7% (FY2020: 37.0%) of the total revenue. The largest customer accounted for 35.7% (FY2020: 30.6%) of the Group's revenue.

For the Reporting Period, the aggregate purchases attributable to the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

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

REMUNERATION POLICY

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

RETIREMENT BENEFIT SCHEMES

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

CHARITABLE DONATION

During the Reporting Period, the Group did not make any charitable donations (FY2020: Nil).

AUDITOR

Messrs. KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Messrs. KPMG as auditor of the Company is to be proposed at the forthcoming 2021 AGM.

On behalf of the Board

Sum Kwong Yip, Derek
Chairman
Hong Kong, 29 June 2021

Independent Auditor's Report

Independent auditor's report to the shareholders of
Jacobson Pharma Corporation Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Jacobson Pharma Corporation Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 69 to 136, which comprise the consolidated statement of financial position as at 31 March 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Assessing potential impairment of intangible assets

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

The Key Audit Matter	How the matter was addressed in our audit
The carrying value of the Group's intangible assets as at 31 March 2021 totalled HK$1,345.1 million, which included goodwill of HK$444.3 million and trademarks with indefinite useful life of HK$369.9 million. Management allocates intangible assets, including goodwill, to separately identifiable cash generating units ("**CGUs**") and assesses if there are any indications of impairment of these CGUs. For goodwill, intangible assets with indefinite useful lives and intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there are any indications of impairment. For intangible assets with useful lives, management assesses if there are any indicators of impairment of those CGUs. If any indicators of impairment are identified, management will estimate the recoverable amounts of the CGUs. Recoverable amount of a CGU is the higher of value-in-use and fair value less costs of disposals of the related assets. Value-in-use is determined based on the discounted cash flow forecasts. Management exercises significant judgement in determining certain key assumptions, including revenue growth rates, gross margins and the discount rates applied, when preparing the discounted cash flow forecasts. We identified assessing potential impairment of intangible assets as a key audit matter because of the significance of intangible assets to the Group's total assets and because the assessment of potential impairment of intangible assets requires significant management judgement, particularly in estimating the future cash flows, which may be inherently uncertain, and in determining an appropriate discount rates, which could be subject to management bias.	Our audit procedures to assess the potential impairment of intangible assets included the following: • evaluating management's identification of CGUs and the allocation of assets to each relevant CGU and assessing the methodology applied by management in its impairment assessments with reference to the requirements of the prevailing accounting standards; • challenging the revenue growth rates and gross margins adopted by management in its preparation of the discounted cash flow forecasts by referring to industry and other available third party information, the recent financial performance of each relevant CGU subject to impairment assessment and management's plans for future operations; • assessing the discount rates used in the discounted cash flow forecasts by benchmarking against other comparable companies and considering the risks specific to each relevant CGU subject to impairment assessment; • obtaining from management sensitivity analyses of the key assumptions, including revenue growth rates, gross margins and the discount rates, adopted in the discounted cash flow forecasts to evaluate the impact on the headroom for each relevant CGU subject to impairment assessment and assessing the impact of changes in the key assumptions to the conclusions reached and whether there are any indicators of management bias; • comparing the key assumptions included in the discounted cash flow forecasts prepared in the prior year with the current year's performance of each relevant CGU subject to impairment assessment and make enquiries of management as to the reasons for any significant variations identified, to assess whether the judgement made by management in the preparation of the discounted cash flow forecasts in the prior year indicated possible management bias; and • assessing the reasonableness of the disclosures in the consolidated financial statements in respect of management's impairment assessment with reference to the requirements of the prevailing accounting standards.

Information other than the consolidated financial statements and auditor's report thereon

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lee Ka Nang.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
29 June 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2021 (Expressed in Hong Kong dollars)

		Year ended 31 March	
	Note	2021 HK$'000	2020 HK$'000
Continuing operations			
Revenue	2	1,445,915	1,571,459
Cost of sales		(884,832)	(881,481)
Gross profit		561,083	689,978
Other net income	3	102,743	30,091
Selling and distribution expenses		(177,412)	(195,286)
Administrative and other operating expenses		(230,174)	(206,566)
Profit from operations		256,240	318,217
Finance costs	4(A)	(30,144)	(55,359)
Share of (losses)/profits of associates		(3,676)	1,993
Share of losses of joint ventures		(1,851)	(1,365)
Profit before taxation	4	220,569	263,486
Income tax	5(A)	(34,264)	(46,025)
Profit for the year from continuing operations		186,305	217,461
Discontinued operations			
Profit for the year from discontinued operations	33	3	1,647
Profit for the year		186,308	219,108
Other comprehensive income for the year			
Item that will not be reclassified subsequently to profit or loss, net of nil tax:			
Revaluation of financial assets at fair value through other comprehensive income		(17,530)	(39,684)
Item that may be reclassified subsequently to profit or loss, net of nil tax:			
Exchange differences on translation of financial statements of operations outside Hong Kong		3,541	(867)
Other comprehensive income		(13,989)	(40,551)
Total comprehensive income for the year		172,319	178,557
Profit attributable to:			
Equity shareholders of the Company		173,713	215,631
Non-controlling interests		12,595	3,477
Total profit for the year		186,308	219,108
Profit attributable to equity shareholders of the Company arises from:			
– Continuing operations		173,710	214,494
– Discontinued operations		3	1,137
		173,713	215,631
Total comprehensive income attributable to:			
Equity shareholders of the Company		164,684	175,080
Non-controlling interests		7,635	3,477
Total comprehensive income for the year		172,319	178,557

		Year ended 31 March	
	Note	2021 HK$'000	2020 HK$'000
Total comprehensive income attributable to equity shareholders of the Company arises from:			
– Continuing operations		164,681	173,943
– Discontinued operations		3	1,137
		164,684	175,080
		HK cents	HK cents
Earnings per share	8		
Basic and diluted			
– From continuing operations		9.07	10.81
– From discontinued operations		–*	0.06
Earnings per share for the year		9.07	10.87

* The amount represents less than HK0.01 cent.

Note: The results of wholesale and retail segment have been classified as discontinued operations of the Group for the years ended 31 March 2021 and 2020.

The notes on pages 74 to 136 form part of these financial statements. Details of dividends payable to shareholders of the Company attributable to the profit for the year are set out in note 9.

Consolidated Statement of Financial Position

At 31 March 2021 (Expressed in Hong Kong dollars)

	Note	As at 31 March 2021 HK$'000	2020 HK$'000
Non-current assets			
Investment properties	10	**207,480**	358,000
Other property, plant and equipment	10	**1,550,599**	1,135,476
Intangible assets	11	**1,345,075**	1,310,880
Interests in associates	13	**57,484**	23,367
Interests in joint ventures	14	**4,036**	92,543
Other non-current assets	15	**73,091**	102,657
Other financial assets	18	**458,340**	376,818
Deferred tax assets	23	**10,263**	10,083
		3,706,368	3,409,824
Current assets			
Inventories	16	**356,184**	371,456
Trade and other receivables	17	**317,758**	277,954
Current tax recoverable		**6,490**	16,788
Other financial assets	18	**–**	7,687
Cash and cash equivalents	19	**480,350**	417,993
		1,160,782	1,091,878
Assets of the disposal group classified as held for sale	33	**–**	78,498
		1,160,782	1,170,376
Current liabilities			
Trade and other payables	20	**137,722**	120,158
Bank loans	22	**685,909**	538,654
Lease liabilities	21	**35,941**	47,450
Current tax payable		**14,334**	10,347
		873,906	716,609
Liabilities associated with the disposal group classified as held for sale	33	**–**	10,751
		873,906	727,360
Net current assets		**286,876**	443,016
Total assets less current liabilities		**3,993,244**	3,852,840
Non-current liabilities			
Bank loans	22	**892,210**	1,014,982
Lease liabilities	21	**34,563**	47,042
Deferred tax liabilities	23	**206,362**	184,723
		1,133,135	1,246,747
NET ASSETS		**2,860,109**	2,606,093
CAPITAL AND RESERVES			
Share capital	24	**19,157**	19,170
Reserves	26	**2,370,691**	2,518,570
Total equity attributable to equity shareholders of the Company		**2,389,848**	2,537,740
Non-controlling interests		**470,261**	68,353
TOTAL EQUITY		**2,860,109**	2,606,093

Approved and authorised for issue by the Board on 29 June 2021.

Mr. Sum Kwong Yip, Derek
Director

Mr. Yim Chun Leung
Director

The notes on pages 74 to 136 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2021 (Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company									
	Note	Share capital (Note 24) HK$'000	Share premium (Note 26(A)) HK$'000	Shares for Share Award Scheme (Note 28(A)) HK$'000	Capital reserve (Note 26(B)) HK$'000	Exchange reserve (Note 26(C)) HK$'000	Fair value reserve (non-recycling) (Note 26(D)) HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2019		20,156	1,126,716	–	154,497	3,911	96,201	1,244,281	2,645,762	39,970	2,685,732
Profit for the year		–	–	–	–	–	–	215,631	215,631	3,477	219,108
Other comprehensive income		–	–	–	–	(867)	(39,684)	–	(40,551)	–	(40,551)
Total comprehensive income for the year		–	–	–	–	(867)	(39,684)	215,631	175,080	3,477	178,557
Acquisitions of subsidiaries and increase in shareholding in subsidiaries		–	–	–	–	–	–	–	–	26,162	26,162
Incorporation of subsidiaries with non-controlling interests		–	–	–	–	–	–	–	–	4	4
Dividends approved in respect of the previous year	9(B)	–	–	–	–	–	–	(60,265)	(60,265)	–	(60,265)
Dividends declared in respect of the current year	9(A)	–	–	–	–	–	–	(39,967)	(39,967)	–	(39,967)
Dividends paid by subsidiaries attributable to non-controlling interests		–	–	–	–	–	–	–	–	(1,260)	(1,260)
Redemption of Convertible Notes		–	–	–	(52,470)	–	–	18,986	(33,484)	–	(33,484)
Equity-settled share-based transactions	28	–	–	–	(5,266)	–	–	6,775	1,509	–	1,509
Purchase of own shares	24	(813)	(126,821)	–	–	–	–	–	(127,634)	–	(127,634)
Shares held for Share Award Scheme	24	(173)	–	(23,088)	–	–	–	–	(23,261)	–	(23,261)
At 31 March 2020		19,170	999,895	(23,088)	96,761	3,044	56,517	1,385,441	2,537,740	68,353	2,606,093
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 year		**–**	**–**	**–**	**–**	**–**	**–**	**173,713**	**173,713**	**12,595**	**186,308**
Other comprehensive income		**–**	**–**	**–**	**–**	**3,541**	**(12,570)**	**–**	**(9,029)**	**(4,960)**	**(13,989)**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**3,541**	**(12,570)**	**173,713**	**164,684**	**7,635**	**172,319**
Dividends approved in respect of the previous year	9(B)	**–**	**–**	**–**	**–**	**–**	**–**	**(47,892)**	**(47,892)**	**–**	**(47,892)**
Dividends declared in respect of the current year	9(A)	**–**	**–**	**–**	**–**	**–**	**–**	**(15,325)**	**(15,325)**	**–**	**(15,325)**
Dividends paid by subsidiaries attributable to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,840)**	**(3,840)**
Equity-settled share-based transactions	28	**–**	**–**	**–**	**(6,199)**	**–**	**–**	**6,199**	**–**	**–**	**–**
Shares held for Share Award Scheme	24	**(13)**	**–**	**(1,488)**	**–**	**–**	**–**	**–**	**(1,501)**	**–**	**(1,501)**
Acquisition of non-controlling interests		**–**	**–**	**–**	**(341)**	**–**	**–**	**–**	**(341)**	**1,071**	**730**
Partial disposal of subsidiaries resulting in loss of control	32(A)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(9,129)**	**(9,129)**
Realised gain on disposals of equity investments designated at FVOCI (non-recycling)		**–**	**–**	**–**	**–**	**–**	**(18,193)**	**18,193**	**–**	**–**	**–**
Contributions from non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13,401**	**13,401**
Special interim dividend in the form of distribution in specie and contributions from non-controlling interests resulting in deemed disposals of partial interests in JBM Healthcare	9(A), 32(B)	**–**	**–**	**–**	**42,616**	**–**	**–**	**(290,133)**	**(247,517)**	**392,770**	**145,253**
At 31 March 2021		**19,157**	**999,895**	**(24,576)**	**132,837**	**6,585**	**25,754**	**1,230,196**	**2,389,848**	**470,261**	**2,860,109**

The notes on pages 74 to 136 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2021 (Expressed in Hong Kong dollars)

	Note	Year ended 31 March 2021 HK$'000	2020 HK$'000
Operating activities			
Cash generated from operations	19(B)	**436,611**	428,445
Income tax paid		**(27,353)**	(67,077)
Net cash generated from operating activities		**409,258**	361,368
Investing activities			
Payment for purchase of other property, plant and equipment, intangible assets and other assets		**(63,354)**	(84,408)
Proceeds from disposals of other property, plant and equipment		**321**	873
Proceeds from deemed disposal of subsidiaries		**40**	–
Proceeds from sale of other financial assets		**51,009**	–
Net cash outflow from acquisitions of subsidiaries under business combination	27(A)	**(90,625)**	(108,124)
Net cash outflow from acquisitions of subsidiaries under asset acquisitions	27(B)	**(150,030)**	–
Net cash inflow on disposals of subsidiaries resulting in loss of control		**40,563**	–
Interest received		**2,088**	5,764
Payment for other financial assets		**(142,373)**	(168,869)
Payment for acquisition of non-controlling interests		**(71)**	–
Payment for investment in joint ventures		**(1,668)**	(91,408)
(Increase)/decrease in amounts due from associates		**(19,943)**	187
Decrease in amount due from a joint venture		**730**	–
Dividends received from an associate		**–**	8,460
Net cash used in investing activities		**(373,313)**	(437,525)
Financing activities			
Capital element of lease rentals paid	19(C)	**(49,679)**	(56,873)
Interest element of lease rentals paid	19(C)	**(2,031)**	(2,788)
Proceeds from bank loans	19(C)	**1,210,500**	1,202,000
Repayment of bank loans	19(C)	**(1,186,017)**	(478,010)
Other borrowing costs paid	19(C)	**(28,113)**	(45,009)
Issuance of new shares in JBM Healthcare	32(B)	**97,000**	–
Gross proceeds from shares issued under initial public offering in JBM Healthcare	32(B)	**53,623**	–
Payment for share issuance expenses in JBM Healthcare	32(B)	**(5,370)**	–
Dividends paid		**(63,217)**	(100,232)
Dividends paid to non-controlling interests		**(3,840)**	(1,260)
Redemption of Convertible Notes		**–**	(500,000)
Payment for shares held for Share Award Scheme		**(1,501)**	(23,261)
Payment for purchase of own shares		**–**	(127,634)
Net cash generated from/(used in) financing activities		**21,355**	(133,067)
Net increase/(decrease) in cash and cash equivalents		**57,300**	(209,224)
Cash and cash equivalents at the beginning of the year	19(A)	**421,441**	629,842
Effect of foreign exchange rate changes		**1,609**	823
Cash and cash equivalents at the end of the year	19(A)	**480,350**	421,441

The notes on pages 74 to 136 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant Accounting Policies

(A) STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, HKASs and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Listing Rules. Significant accounting policies adopted by the Group are disclosed below.

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

(B) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 March 2021 comprise the Company and its subsidiaries and the Group's interests in associates and joint ventures.

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

(C) ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 36.

(D) BASIS OF MEASUREMENT

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

- investment properties (see note 1(K)); and

- investments measured as financial assets at fair value through other comprehensive income ("**FVOCI**") and fair value through profit or loss ("**FVPL**") (see note 1(J)).

1 Significant Accounting Policies (Continued)

(E) CHANGES IN ACCOUNTING POLICIES

The Group has applied the amendment to HKFRS 16, *COVID-19-Related Rent Concessions* issued by the HKICPA to these financial statements for the current accounting period. Other than the amendment to HKFRS 16, the Group has not applied any new standard or amendment that is not yet effective for the current accounting period.

Amendment to HKFRS 16, *COVID-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("**COVID-19-related rent concessions**") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. 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. There is no impact on the opening balance of equity at 1 April 2020.

(F) SUBSIDIARIES AND NON-CONTROLLING INTERESTS

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

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

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

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

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see note 1(G)).

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

1 Significant Accounting Policies (Continued)

(G) ASSOCIATES AND JOINT VENTURES

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

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

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

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

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

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

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(J)).

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

(H) BUSINESS COMBINATIONS

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

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

1 Significant Accounting Policies (Continued)

(I) GOODWILL

Goodwill represents the excess of

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

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

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

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

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

(J) OTHER INVESTMENTS IN DEBT AND EQUITY SECURITIES

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

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

(i) Investment other than equity investments

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

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

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

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

(ii) Equity investments

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

1 Significant Accounting Policies (Continued)

(K) INVESTMENT PROPERTIES

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

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

(L) OTHER PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(O)(ii)), except for freehold land which is stated at cost less accumulated impairment losses.

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

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

– Freehold land is not depreciated.

– Leasehold land and buildings are depreciated over the unexpired term of lease.

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

–	Machinery and equipment	5–20 years
–	Furniture, fixtures and office equipment	4–20 years
–	Motor vehicles	4–10 years
–	Leasehold improvements	Shorter of the lease term or 9–10 years

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

1 Significant Accounting Policies (Continued)

(M) INTANGIBLE ASSETS (OTHER THAN GOODWILL)

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

– Unpatented drugs	30 years
– Customer relationship	15–20 years
– Capitalised development costs	30 years
– Software	5–10 years
– Distribution rights	Over the distribution agreement term of 3-15 years

Both the period and method of amortisation are reviewed annually.

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

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

1 Significant Accounting Policies (Continued)

(N) LEASED ASSETS

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

(i) As a lessee

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

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases of low-value assets which for the Group are primarily office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

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

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

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 *Leases*. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

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

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

1 Significant Accounting Policies (Continued)

(N) LEASED ASSETS (Continued)

(ii) As a lessor

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

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

(O) CREDIT LOSSES AND IMPAIRMENT OF ASSETS

(i) Credit losses from financial instruments

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

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

Measurement of ECLs

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

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

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

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

ECLs are measured on either of the following bases:

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

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

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

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

1 Significant Accounting Policies (Continued)

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

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk

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

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

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

Basis of calculation of interest income

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

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

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

1 Significant Accounting Policies (Continued)

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

(i) Credit losses from financial instruments (Continued)

Write-off policy

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

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

(ii) Impairment of other non-current assets

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

– other property, plant and equipment, including right-of-use assets;

– intangible assets;

– goodwill; and

– investment in subsidiaries in the Company's statement of financial position.

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

– ***Calculation of recoverable amount***

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

– ***Recognition of impairment losses***

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

– ***Reversals of impairment losses***

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

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

1 Significant Accounting Policies (Continued)

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

(iii) Interim financial reporting and impairment

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

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

(P) INVENTORIES

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

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

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

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

(Q) TRADE AND OTHER RECEIVABLES

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

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

(R) INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(Z)).

(S) TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

(i) Trade and other payables

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

(ii) Contract liabilities

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

1 Significant Accounting Policies (Continued)

(T) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 1(O)(i).

(U) EMPLOYEE BENEFITS

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

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

(ii) Share-based payment arrangements

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

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

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

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

1 Significant Accounting Policies (Continued)

(V) INCOME TAX

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

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

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

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

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

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(K), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

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

1 Significant Accounting Policies (Continued)

(V) INCOME TAX (Continued)

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

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(W) PROVISIONS AND CONTINGENT LIABILITIES

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

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

(X) REVENUE AND OTHER INCOME

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

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

(i) Sale of goods

Revenue is recognised in profit or loss when the customer takes possession of and accepts the products. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts and sales returns. Accumulated experience is used to estimate and provide for sales returns at time of sales.

(ii) Commission income

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

(iii) Interest income

Interest income is recognised as it accrues under the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(O)(i)).

1 Significant Accounting Policies (Continued)

(X) REVENUE AND OTHER INCOME (Continued)

(iv) Dividends

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

(v) Rental income from leases

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

(vi) Subcontracting income

Subcontracting income is recognised when the subcontracting service is rendered.

(vii) 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 company will comply with the conditions attaching to them. Grants that compensate the company 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 company 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.

(Y) TRANSLATION OF FOREIGN CURRENCIES

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognise such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

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

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

(Z) BORROWING COSTS

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

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

1 Significant Accounting Policies (Continued)

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

(i) Non-current assets held for sale

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

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

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

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

(ii) Discontinued operations

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

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

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

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

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

1 Significant Accounting Policies (Continued)

(BB) RELATED PARTIES

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

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

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

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

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

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

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

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

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

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

(CC) SEGMENT REPORTING

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

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

2 Revenue and Segment Reporting

(A) REVENUE

The principal activities of the Group are manufacturing and trading of generic drugs and branded healthcare products. All the revenue for the years ended 31 March 2021 and 2020 was recognised in accordance with HKFRS 15, *Revenue from contracts with customers*. The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts and does not disclose information about remaining performance obligations that have original expected duration of one year or less.

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

(B) SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. During the current year, the Group completed the spin-off listing of its branded healthcare business, which comprised branded medicines, proprietary Chinese medicines and health and wellness products. For the purpose of segment reporting, the Group reviewed the reportable segments and identified branded healthcare as a reportable segment. The prior year segment information for comparative purpose have been restated.

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Generic drugs: this segment develops, manufactures and distributes a host of off-patent medicines for various therapeutic use. Currently the activities in this regard are primarily carried out in Hong Kong.

- Branded healthcare: this segment develops, manufactures and/or distributes branded medicines, proprietary Chinese medicines and health and wellness products. 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 (losses)/profits of associates, share of losses of joint ventures and non-recurring items not attributable to the operations of individual segments.

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

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

As discussed in notes 32(A) and 33, the Group no longer carries on the business of wholesale and retail segment. The results of this segment have been classified as discontinued operations of the Group for the years ended 31 March 2021 and 2020.

2 Revenue and Segment Reporting (Continued)

(B) SEGMENT REPORTING (Continued)

(i) Segment revenue and results

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

	Continuing operations						Discontinued operations			
	Generic drugs		Branded healthcare		Subtotal		Wholesale and retail		Total	
	Year ended 31 March		Year ended 31 March		Year ended 31 March		Year ended 31 March		Year ended 31 March	
	2021	2020 (Restated)	**2021**	2020 (Restated)	**2021**	2020 (Restated)	**2021**	2020 (Restated)	**2021**	2020 (Restated)
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**1,048,757**	1,189,917	**397,158**	381,542	**1,445,915**	1,571,459	**14,202**	186,220	**1,460,117**	1,757,679
Inter-segment revenue	**4,616**	6,821	**10,543**	7,542	**15,159**	14,363	**–**	–	**15,159**	14,363
Reportable segment revenue	**1,053,373**	1,196,738	**407,701**	389,084	**1,461,074**	1,585,822	**14,202**	186,220	**1,475,276**	1,772,042
Reportable segment profit/(loss) (adjusted EBITDA)	**338,415**	386,041	**129,203**	89,539	**467,618**	475,580	**(18)**	6,771	**467,600**	482,351

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

	Continuing operations		Discontinued operations	
	Year ended 31 March		Year ended 31 March	
	2021	2020 (Restated)	**2021**	2020 (Restated)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Generic drugs	**1,048,757**	1,189,917	**–**	–
Branded healthcare	**397,158**	381,542	**–**	–
Wholesale and retail	**–**	–	**14,202**	186,220
Total	**1,445,915**	1,571,459	**14,202**	186,220

2 Revenue and Segment Reporting (Continued)

(B) SEGMENT REPORTING (Continued)

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

	Continuing operations		Discontinued operations	
	Year ended 31 March		Year ended 31 March	
	2021 HK$'000	2020 (Restated) HK$'000	2021 HK$'000	2020 (Restated) HK$'000
Revenue				
Reportable segment revenue	1,461,074	1,585,822	14,202	186,220
Elimination of inter-segment revenue	(15,159)	(14,363)	–	–
Consolidated revenue	1,445,915	1,571,459	14,202	186,220
Profit				
Reportable segment profit/(loss)	467,618	475,580	(18)	6,771
Elimination of inter-segment (profit)/loss	(821)	666	–	–
Reportable segment profit derived from Group's external customers	466,797	476,246	(18)	6,771
Interest income from bank deposits and the investments	2,088	5,730	2	34
Gain on disposal of subsidiaries	3,116	–	–	–
Gain on deemed disposal of a joint venture	7,457	–	–	–
Depreciation and amortisation	(191,701)	(166,271)	–	(4,504)
Finance costs	(30,144)	(55,359)	–	(217)
Fair value gain on investment properties	490	1,200	–	–
Share of (losses)/profits of associates	(3,676)	1,993	–	–
Share of losses of joint ventures	(1,851)	(1,365)	–	–
Gain on redemption of Convertible Notes	–	8,223	–	–
Spin-off listing expenses	(32,007)	(6,911)	–	–
Consolidated profit/(loss) before taxation	220,569	263,486	(16)	2,084

2 Revenue and Segment Reporting (Continued)

(B) SEGMENT REPORTING (Continued)

(iii) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the goods are distributed to distributors or the ultimate customers by the Group or the consignees.

	Continuing operations		Discontinued operations	
	Year ended 31 March		Year ended 31 March	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Revenue from external customers				
Hong Kong (place of domicile)	**1,312,743**	1,445,181	**14,202**	186,220
Mainland China	**46,611**	34,423	**–**	–
Macau	**62,512**	57,021	**–**	–
Singapore	**6,189**	12,388	**–**	–
Others	**17,860**	22,446	**–**	–
	1,445,915	1,571,459	**14,202**	186,220

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

	As at 31 March	
	2021 HK$'000	2020 HK$'000
Specified non-current assets		
Hong Kong (place of domicile)	**3,103,681**	2,922,393
Mainland China	**50,002**	42,486
Macau	**14**	50
Taiwan	**5,062**	5,429
Cambodia	**79,006**	52,565
	3,237,765	3,022,923

(iv) Information about major customers

For the year ended 31 March 2021, the Group's customer base includes one (2020: one) customer of generic drugs and branded healthcare segments with whom transactions have exceeded 10% of the Group's revenue. Revenue from sales of generic drugs and branded healthcare products to this customer, including sales to entities which are known to the Group to be under common control amounted to approximately HK$515,608,000 (2020: HK$481,176,000).

3 Other Net Income

	Continuing operations		Discontinued operations	
	Year ended 31 March		Year ended 31 March	
	2021 **HK$'000**	2020 HK$'000	**2021** **HK$'000**	2020 HK$'000
Commission income	**1,285**	1,346	**–**	–
Interest income from bank deposits and the investments	**2,088**	5,730	**2**	34
Net foreign exchange (loss)/gain	**(1,576)**	249	**–**	–
Net loss on disposals of other property, plant and equipment	**(702)**	(356)	**–**	–
Net loss on disposals of intangible assets	**(1,347)**	–	**–**	–
Gain on disposals of subsidiaries	**3,116**	–	**–**	–
Gain on deemed disposal of a joint venture (note 27(A)(i))	**7,457**	–	**–**	–
Fair value gain on investment properties	**490**	1,200	**–**	–
Gain on redemption of Convertible Notes	**–**	8,223	**–**	–
COVID-19-related rent concessions	**1,322**	–	**–**	–
Rental income	**1,604**	6,089	**–**	–
Subcontracting income	**5,309**	4,848	**–**	–
Government grants (Note)	**81,066**	–	**160**	–
Others	**2,631**	2,762	**100**	56
	102,743	30,091	**262**	90

Note: In 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

4 Profit Before Taxation

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

	Continuing operations		Discontinued operations	
	Year ended 31 March		Year ended 31 March	
	2021 **HK$'000**	2020 HK$'000	**2021** **HK$'000**	2020 HK$'000
(A) FINANCE COSTS				
Interest on bank loans and other borrowings (note 19(C))	**28,113**	52,788	**–**	–
Interest on lease liabilities (note 19(C))	**2,031**	2,571	**–**	217
	30,144	55,359	**–**	217

4 Profit Before Taxation (Continued)

	Continuing operations Year ended 31 March		Discontinued operations Year ended 31 March	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
(B) STAFF COSTS				
Salaries, wages and other benefits	**386,556**	433,952	**419**	4,004
Contributions to defined contribution retirement schemes	**16,797**	18,997	**19**	193
Equity-settled share-based payment expenses (note 28)	**–**	1,509	**–**	–
	403,353	454,458	**438**	4,197

The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately. No forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

Pursuant to the relevant labor rules and regulations in the PRC, the Group participates in defined contribution retirement benefit scheme (the "**Scheme**") organised by the relevant local government authority in the PRC whereby the Group is required to make contributions to the Scheme at 16% (2020: 16%) of the standard wages determined by the relevant authority in the PRC.

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

	Continuing operations Year ended 31 March		Discontinued operations Year ended 31 March	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
(C) OTHER ITEMS				
Depreciation (note 10)				
– owned property, plant and equipment	**100,571**	86,010	**–**	183
– right-of-use assets	**51,195**	54,221	**–**	4,321
	151,766	140,231	**–**	4,504
Amortisation of intangible assets (note 11)	**39,935**	26,040	**–**	–
Impairment losses on trade receivables (note 29(A))	**–**	2,600	**–**	–
Auditors' remuneration				
– audit services	**9,973**	5,576	**12**	83
– other services	**3,267**	3,816	**2**	–
Research and development costs (other than amortisation of capitalised development costs)	**1,780**	3,734	**–**	–
Rentals received from investment properties less direct outgoings of HK$289,000 (2020: HK$782,000)	**(1,315)**	(5,307)	**–**	–
Cost of inventories# (note 16(B))	**884,832**	881,481	**13,227**	174,740
Spin-off listing expenses	**32,007**	6,911	**–**	–

Cost of inventories includes HK$346,492,000 for the year ended 31 March 2021 (2020: HK$372,328,000), relating to staff costs, and depreciation and amortisation expenses which amount is also included in the respective total amounts disclosed separately above or in note 4(B) for each of these types of expenses.

5 Income Tax

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

	Continuing operations		Discontinued operations	
	Year ended 31 March		Year ended 31 March	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current tax				
Provision for the year	**42,000**	49,136	**–**	343
(Over)/under-provision in respect of prior years	**(255)**	(286)	**(19)**	94
	41,745	48,850	**(19)**	437
Deferred tax				
Origination and reversal of temporary differences (note 23(A))	**(7,481)**	(2,825)	**–**	–
	34,264	46,025	**(19)**	437

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

	Continuing operations		Discontinued operations	
	Year ended 31 March		Year ended 31 March	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Profit/(loss) before taxation	**220,569**	263,486	**(16)**	2,084
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdiction concerned	**36,519**	43,086	**(3)**	344
Effect of non-deductible expenses	**16,020**	10,460	**–**	–
Effect of non-taxable income	**(16,725)**	(3,268)	**(16)**	(1)
Effect of tax concessions obtained	**–**	(165)	**–**	–
Effect of temporary differences not recognised	**(1,295)**	(3,802)	**–**	–
Over-provision in prior years	**(255)**	(286)	**–**	94
Actual tax expense	**34,264**	46,025	**(19)**	437

Notes:

(i) The provision for Hong Kong Profits Tax for the year is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year.

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

6 Directors' Emoluments

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

	Year ended 31 March 2021						
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Subtotal HK$'000	Share-based payment (Note) HK$'000	Total HK$'000
Executive Directors							
Mr. Sum Kwong Yip, Derek	1,200	3,543	–	219	4,962	–	4,962
Mr. Yim Chun Leung	2,402	–	110	126	2,638	–	2,638
Ms. Pun Yue Wai	1,114	–	40	–	1,154	–	1,154
Non-executive Director							
Professor Lam Sing Kwong, Simon	220	–	–	–	220	–	220
Independent non-executive Directors							
Dr. Lam Kwing Tong, Alan	220	–	–	–	220	–	220
Professor Wong Chi Kei, Ian	220	–	–	–	220	–	220
Mr. Young Chun Man, Kenneth	220	–	–	–	220	–	220
	5,596	3,543	150	345	9,634	–	9,634

	Year ended 31 March 2020						
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Subtotal HK$'000	Share-based payment (Note) HK$'000	Total HK$'000
Executive Directors							
Mr. Sum Kwong Yip, Derek	1,200	3,547	–	211	4,958	–	4,958
Mr. Yim Chun Leung	2,640	–	220	143	3,003	572	3,575
Ms. Pun Yue Wai	1,185	–	80	–	1,265	191	1,456
Non-executive Director							
Professor Lam Sing Kwong, Simon	220	–	–	–	220	–	220
Independent non-executive Directors							
Dr. Lam Kwing Tong, Alan	220	–	–	–	220	–	220
Professor Wong Chi Kei, Ian	220	–	–	–	220	–	220
Mr. Young Chun Man, Kenneth	220	–	–	–	220	–	220
	5,905	3,547	300	354	10,106	763	10,869

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

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

7 Individuals with Highest Emoluments

Of the five individuals with the highest emoluments, 2 are Directors for the year ended 31 March 2021 (2020: 2) whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Year ended 31 March	
	2021 **HK$'000**	2020 HK$'000
Salaries and other emoluments	**5,297**	6,500
Discretionary bonuses	**395**	1,983
Retirement scheme contributions	**54**	50
	5,746	8,533

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

	Year ended 31 March	
	2021 **Number of individuals**	2020 Number of individuals
HK$1,500,001 – HK$2,000,000	**2**	–
HK$2,000,001 – HK$2,500,000	**1**	–
HK$2,500,001 – HK$3,000,000	**–**	2
HK$3,000,001 – HK$3,500,000	**–**	1

8 Earnings Per Share

(A) BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$173,713,000 for the year ended 31 March 2021 (2020: HK$215,631,000) and the weighted average ordinary shares in issue calculated as follows:

Weighted average number of ordinary shares:

	Year ended 31 March	
	2021 **'000**	2020 '000
Shares of the Company issued at the beginning of the year	**1,916,953**	2,015,625
Effect of shares repurchased (note 24)	**–**	(22,856)
Effect of shares held for Share Award Scheme (note 28(A))	**(786)**	(9,748)
Weighted average number of ordinary shares in issue during the year	**1,916,167**	1,983,021

	Year ended 31 March	
	2021 **HK$'000**	2020 HK$'000
Profit attributable to equity shareholders of the Company arises from:		
– Continuing operations	**173,710**	214,494
– Discontinued operations	**3**	1,137
	173,713	215,631

(B) DILUTED EARNINGS PER SHARE

Diluted earnings per share for the years ended 31 March 2021 and 2020 were the same as the basic earnings per share as there were no potentially dilutive ordinary share in existence during both years.

9 Dividends

(A) DIVIDENDS PAYABLE TO SHAREHOLDERS ATTRIBUTABLE TO THE YEAR

	Year ended 31 March	
	2021 HK$'000	2020 HK$'000
Interim dividend declared and paid of HK0.8 cent per share (2020: HK2.0 cents per share)	15,325	39,967
Special interim dividend (Note 1)	290,133	–
Final dividend proposed after the end of the Reporting Period of HK1.5 cents per share (2020: HK2.5 cents per share) (Note 2)	29,013	48,356
	334,471	88,323

Note 1: A special interim dividend was made on 5 February 2021 in the form of distribution in specie of 241,777,625 shares in JBM Healthcare on the basis of 1 JBM Healthcare Share for every 8 shares held by shareholders of the Company whose names appear on the register of members of the Company on 29 January 2021. Based on the price of HK$1.20 per JBM Healthcare Share on 5 February 2021, the special interim dividend represented a distribution of approximately HK15 cents per share.

Note 2: The final dividend proposed after the end of the Reporting Period has not been recognised as a liability at the end of the Reporting Period.

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

	Year ended 31 March	
	2021 HK$'000	2020 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year of HK2.5 cents per share (2020: HK3.0 cents per share)	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) RECONCILIATION OF CARRYING AMOUNT

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

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

(A) RECONCILIATION OF CARRYING AMOUNT (Continued)

	Land HK$'000	Buildings HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Sub-total HK$'000	Investment properties HK$'000	Total HK$'000
Cost:									
At 1 April 2020	66,079	599,043	444,253	498,491	8,108	28,915	1,644,889	358,000	2,002,889
Additions	35,160	138,367	20,423	4,609	1	10,102	208,662	52,990	261,652
Acquisition of subsidiaries under business combination (note 27(A)(i))	-	162,000	215	86	-	-	162,301	-	162,301
Transfer from investment properties to buildings	-	204,000	-	-	-	-	204,000	(204,000)	-
Disposals	-	(46,974)	(5,705)	(1,662)	(521)	(3,475)	(58,337)	-	(58,337)
Fair value adjustment	-	-	-	-	-	-	-	490	490
Exchange difference	1,103	1,565	5,481	154	53	850	9,206	-	9,206
At 31 March 2021	102,342	1,058,001	464,667	501,678	7,641	36,392	2,170,721	207,480	2,378,201
Accumulated depreciation:									
At 1 April 2020	17,254	124,072	200,658	159,872	5,691	1,866	509,413	-	509,413
Charge for the year	1,617	75,845	35,846	25,434	1,183	11,841	151,766	-	151,766
Written back on disposals	-	(38,172)	(5,106)	(1,467)	(521)	(3,246)	(48,512)	-	(48,512)
Exchange difference	495	840	5,115	120	44	841	7,455	-	7,455
At 31 March 2021	19,366	162,585	236,513	183,959	6,397	11,302	620,122	-	620,122
Net book value:									
At 31 March 2021	82,976	895,416	228,154	317,719	1,244	25,090	1,550,599	207,480	1,758,079

At 31 March 2021 and 2020, certain leasehold land and buildings were pledged against bank loans granted to the Group as disclosed in note 22.

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

(B) FAIR VALUE MEASUREMENT

Fair value hierarchy

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

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

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

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

The fair value measurements as at 31 March 2021 and 2020 were categorised into Level 3.

During the year ended 31 March 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2020: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the Reporting Period in which they occur.

The valuations of investment properties at fair value as at 31 March 2021 and 2020 were performed by the Group's independent valuer, Colliers International (Hong Kong) Limited, who have among their staff fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, using the market comparison method. The Group's management has reviewed the valuation results performed by the independent valuer for financial reporting purposes by verifying all major inputs and assumptions, and assessing the reasonableness of property valuation. Such valuation is performed at each interim and annual reporting date and is reviewed and approved by senior management.

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

	As at 31 March	
	2021	2020
(Discount)/premium on quality of the buildings	**(10%)-15%**	(10%)-5%

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

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

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

(C) RIGHT-OF-USE ASSETS

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

	Note	As at 31 March 2021 HK$'000	As at 31 March 2020 HK$'000
Ownership interests in leasehold land with remaining lease term of	(ii)		
– Between 10 and 50 years		**26,560**	26,969
– 50 years or more		**15,724**	16,324
		42,284	43,293
Buildings leased for own use, carried at depreciated cost	(iii)	**68,592**	92,474
		110,876	135,767

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

	Continuing operations Year ended 31 March 2021 HK$'000	Continuing operations Year ended 31 March 2020 HK$'000	Discontinued operations Year ended 31 March 2021 HK$'000	Discontinued operations Year ended 31 March 2020 HK$'000
Depreciation charge of right-of-use assets by class of underlying asset:				
– Ownership interests in leasehold land	**1,617**	1,617	**–**	–
– Buildings leased for own use	**49,578**	52,604	**–**	4,321
	51,195	54,221	**–**	4,321
Interest on lease liabilities (note 4(A))	**2,031**	2,571	**–**	217

Notes:

(i) During the year, additions to right-of-use assets were HK$34,492,000 (2020: HK$74,089,000), which primarily related to the capitalised lease payments payable under new tenancy agreements. Additions to right-of-use assets arising from the step acquisition of subsidiaries were nil during the year ended 31 March 2021 (2020: HK$2,116,000).

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

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

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

(iii) Buildings leased for own use

The Group has obtained the right to use other properties as its offices and warehouses through tenancy agreements. The leases typically run for an initial period of 1 to 5 years.

11 Intangible Assets

	Goodwill HK$'000	Memberships HK$'000	Trademarks HK$'000	Unpatented drugs HK$'000	Customer relationship HK$'000	Capitalised development costs HK$'000	Software HK$'000	Distribution rights HK$'000	Total HK$'000
Cost:									
At 1 April 2019	390,816	1,220	263,478	220,251	271,332	33,281	39,074	–	1,219,452
Additions	–	7,800	–	1,047	–	15,959	325	–	25,131
Acquisition of subsidiaries under business combination (note 27(A)(ii))	56,891	–	106,454	–	110,643	–	–	–	273,988
Transfer to a disposal group classified as held for sale	(35,686)	–	–	–	–	–	–	–	(35,686)
At 31 March 2020	412,021	9,020	369,932	221,298	381,975	49,240	39,399	–	1,482,885
Accumulated amortisation:									
At 1 April 2019	–	–	–	50,433	80,631	95	14,806	–	145,965
Charge for the year	–	–	–	5,560	15,969	258	4,253	–	26,040
At 31 March 2020	–	–	–	55,993	96,600	353	19,059	–	172,005
Net book value:									
At 31 March 2020	412,021	9,020	369,932	165,305	285,375	48,887	20,340	–	1,310,880

	Goodwill HK$'000	**Memberships HK$'000**	**Trademarks HK$'000**	**Unpatented drugs HK$'000**	**Customer relationship HK$'000**	**Capitalised development costs HK$'000**	**Software HK$'000**	**Distribution rights HK$'000**	**Total HK$'000**
Cost:									
At 1 April 2020	**412,021**	**9,020**	**369,932**	**221,298**	**381,975**	**49,240**	**39,399**	**–**	**1,482,885**
Additions	**–**	**–**	**–**	**–**	**–**	**6,335**	**320**	**21,980**	**28,635**
Acquisition of subsidiaries under business combination (note 27(A)(i))	**32,239**	**–**	**–**	**13,253**	**1,350**	**–**	**–**	**–**	**46,842**
Transfer from development cost	**–**	**–**	**–**	**4,088**	**–**	**(4,088)**	**–**	**–**	**–**
Disposal	**–**	**–**	**–**	**–**	**–**	**(1,347)**	**–**	**–**	**(1,347)**
At 31 March 2021	**444,260**	**9,020**	**369,932**	**238,639**	**383,325**	**50,140**	**39,719**	**21,980**	**1,557,015**
Accumulated amortisation:									
At 1 April 2020	**–**	**–**	**–**	**55,993**	**96,600**	**353**	**19,059**	**–**	**172,005**
Charge for the year	**–**	**–**	**–**	**8,713**	**22,904**	**905**	**4,033**	**3,380**	**39,935**
At 31 March 2021	**–**	**–**	**–**	**64,706**	**119,504**	**1,258**	**23,092**	**3,380**	**211,940**
Net book value:									
At 31 March 2021	**444,260**	**9,020**	**369,932**	**173,933**	**263,821**	**48,882**	**16,627**	**18,600**	**1,345,075**

The amortisation charge of unpatented drugs, customer relationship, software and distribution rights is included in "Cost of sales", "Selling and distribution expenses" and "Administrative and other operating expenses" respectively in the consolidated statement of profit or loss and other comprehensive income for the years ended 31 March 2021 and 2020.

11 Intangible Assets (Continued)

In assessing the useful life of memberships, management considered the Group has the contractual right to control over the asset and legal rights with indefinite period and therefore, the membership has been assessed as having an indefinite useful life.

In assessing the useful life of trademarks, management considered trademarks are renewable upon their expiry and the Group will not incur significant costs to renew the registration of trademarks which is a routine administrative procedure. In addition, due consideration is given to the existing longevity of trademarks, the indefinite life cycle of the industry in which the Group operates and the expected usage of the trademarks in the future. In light of these considerations, no factor could be identified that would result in the trademarks having a finite useful life and accordingly the trademarks have been assessed as having an indefinite useful life.

IMPAIRMENT TESTS FOR CASH GENERATING UNITS CONTAINING GOODWILL AND TRADEMARKS

Goodwill and trademarks are allocated to the Group's CGUs in the following business segments:

	As at 31 March	
	2021	2020
	HK$'000	HK$'000
Goodwill		
Generic drugs	**183,722**	151,483
Branded healthcare	**260,538**	260,538
	444,260	412,021
Trademarks		
Generic drugs	**2,808**	2,808
Branded healthcare	**367,124**	367,124
	369,932	369,932

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecast prepared by management covering a five-year period (2020: three/five-year period). Cash flows beyond the five-year period (2020: three/five-year period) are extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations:

	As at 31 March	
	2021	2020
Gross margin	**7%-70%**	9%-72%
Growth rate	**3%**	3%
Discount rate	**14%-15%**	12%-15%

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

Capitalised development costs of HK$22,785,000 (2020: HK$42,449,000) are not yet available for use as at the end of Reporting Period. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecast prepared by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rate of 3% (2020: 3%) which does not exceed the long-term average growth rate for the industry in which the CGU operates. Discount rates of 15% (2020: 15%) and gross profit margin of 35% (2020: 35%) have been adopted for the calculations of the recoverable amounts as at the end of Reporting Period.

The memberships represent club memberships. The Directors consider that the recoverable amount of the intangible asset exceeds the carrying amount and therefore no impairment is necessary. The recoverable amount of the intangible asset is estimated by reference to the current open market value less cost to sell as at the end of the Reporting Period.

12 Investment in Subsidiaries

Details of the principal subsidiaries are as follows:

Company name	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
A-Pharm Medical Limited	Hong Kong	160,000 ordinary shares	100%	–	100%	Trading of pharmaceutical products
American Unicorn Laboratories Limited (Note ii)	Hong Kong	50,000,000 ordinary shares	100%	–	100%	Manufacturing and sales of pharmaceutical products
APT Pharma (China) Co., Ltd. (Note (i)) 雅柏藥業 (中國) 有限公司	PRC	HK$108,600,000	100%	–	100%	Manufacturing and sales of pharmaceutical products
APT Pharma Limited	Hong Kong	8,750,000 ordinary shares	100%	–	100%	Manufacturing and sales of pharmaceutical products
Carewell Pharma Limited	Hong Kong	10,000 ordinary shares	53.7%	–	100%	Sale of healthcare and herbal products
Charmaine Pharmaceutical Company Limited	Hong Kong	1,100,000 ordinary shares	100%	–	100%	Holding of pharmaceutical licenses
China Method Limited	Hong Kong	1,000,000 ordinary shares	100%	–	100%	Properties Holding
Citi-Ascent Limited	Hong Kong	1 ordinary share	100%	–	100%	Procurement of packaging material
Europharm Laboratoires (Hong Kong) Company Limited	Hong Kong	10,000 ordinary shares	53.7%	–	100%	Manufacturing and sales of Chinese medicines
Europharm Laboratoires Company Limited	Hong Kong	18,000,009 ordinary shares	100%	–	100%	Manufacturing and sales of pharmaceutical products
Frankin Pharmaceutical Laboratories Company Limited	Hong Kong	440,000 ordinary shares	100%	–	100%	Holding of pharmaceutical licenses
Ho Chai Kung Medicine Manufactory Limited	Hong Kong	10,000 ordinary shares	53.7%	–	100%	Manufacturing and sales of pharmaceutical products
Jacobson Group Management Limited	Hong Kong	10,000 ordinary shares	100%	–	100%	Provision of management services to Group companies
Jacobson Group Treasury Limited	Hong Kong	10,000 ordinary shares	100%	–	100%	Provision of treasury services to Group companies
Jacobson Medical (Hong Kong) Limited	Hong Kong	26,628,000 ordinary shares	53.7%	–	100%	Trading of medical supplies and pharmaceutical products
Jacobson Research Laboratory Limited	Hong Kong	10,000 ordinary shares	100%	–	100%	Research and development
Janker Limited	Hong Kong	10,000 ordinary shares	53.7%	–	100%	Trading of Chinese medicines

12 Investment in Subsidiaries (Continued)

Company name	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Jean-Marie Pharmacal Company Limited	Hong Kong	48,193,657 ordinary shares	100%	–	100%	Manufacturing and sales of pharmaceutical products
JBM (Healthcare) Limited	Cayman Islands	893,686,000 ordinary shares	53.7%	–	53.7%	Investment holding
Karen Pharmaceutical Company Limited	Hong Kong	100,000 ordinary shares	53.7%	–	100%	Manufacturing and sales of pharmaceutical products
LKC Holdings Limited	Hong Kong	10,000 ordinary shares	100%	–	100%	Properties Holding
Li Chung Shing Tong (Holdings) Limited	Hong Kong	500,000 ordinary shares	34.4%	–	64%	Manufacturing and sales of Chinese medicines
Li Chung Shing Tong (S) Pte Limited	Singapore	50,000 ordinary shares at S$1 each	53.7%	–	100%	Trading of Chinese medicines
Ling Chi Medicine (H.K.) Limited	Hong Kong	10,000 ordinary shares	53.7%	–	100%	Manufacturing and sales of pharmaceutical products and Chinese medicines
Marching Pharmaceutical Limited	Hong Kong	10,000,000 ordinary shares	100%	–	100%	Manufacturing and sales of pharmaceutical products
Medipharma Limited	Hong Kong	47,340 ordinary shares	100%	–	100%	Manufacturing and sales of pharmaceutical products
Melborn Limited	Hong Kong	5,000,000 ordinary shares	100%	–	100%	Properties holding
Melborm Property Limited	Hong Kong	2 ordinary shares	100%	–	100%	Properties holding
Neochem Pharmaceutical Laboratories Limited	Hong Kong	3,000,000 ordinary shares	100%	–	100%	Manufacturing and sales of pharmaceutical products
Nice Laboratories Limited	Hong Kong	1,000,000 ordinary shares	100%	–	100%	Holding of pharmaceutical licenses
Orizen Capital Limited	British Virgin Island	100 ordinary shares	52.6%	–	98%	Trading, wholesales and retailing of Chinese medicines
Pharmason Company Limited	Hong Kong	10,000 ordinary shares	100%	–	100%	Trading of pharmaceutical products
Singmalay Company Limited	Hong Kong	10,000 ordinary shares	53.7%	–	100%	Manufacturing and sales of Chinese medicines

12 Investment in Subsidiaries (Continued)

Company name	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Smart Garden Limited	Hong Kong	1,000 ordinary shares	100%	–	100%	Properties holding
Synco (H.K.) Limited	Hong Kong	46,800 ordinary shares	100%	–	100%	Manufacturing and sales of pharmaceutical products
Universal Pharmaceutical Laboratories, Limited	Hong Kong	5,000 ordinary shares	100%	–	100%	Holding of pharmaceutical licenses
Vickmans Laboratories Limited	Hong Kong	661,650 ordinary shares	100%	–	100%	Manufacturing and sales of pharmaceutical products

Notes:

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

(ii) The Group further acquired 50% of equity interest in its joint venture at a consideration of HK$93,380,000 in October 2020. This acquisition was classified as a business combination (see note 27(A)(i)).

The following table lists out the information relating to JBM Healthcare which has a material non-controlling interest ("**NCI**") as at 31 March 2021 (2020: wholly-owned subsidiary of the Group). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2021 HK$'000
NCI percentage	46.3%
Current assets	284,308
Non-current assets	1,096,885
Current liabilities	137,142
Non-current liabilities	297,108
Net assets	946,943
Equity attributable to equity shareholders of JBM Healthcare	904,708
Non-controlling interests of subsidiaries of JBM Healthcare	42,235
Total equity	946,943
Carrying amount of NCI	460,798
Revenue	397,158
Profit attributable to:	
– Equity shareholders of JBM Healthcare	22,600
– Non-controlling interests of subsidiaries of JBM Healthcare	8,019
	30,619
Total comprehensive income attributable to:	
– Equity shareholders of JBM Healthcare	13,074
– Non-controlling interests of subsidiaries of JBM Healthcare	8,019
	21,093
Profit allocated to NCI	13,432
Cash flows from operating activities	58,756
Cash flows from investing activities	(24,451)
Cash flows from financing activities	(13,917)

13 Interests in Associates

	As at 31 March	
	2021	2020
	HK$'000	HK$'000
Share of net assets, including goodwill on acquisition	**57,484**	23,367

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

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

Financial information of Orizen Group was disclosed as below:

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

Aggregate information of associates that are not individually material:

	2021	2020
	HK$'000	HK$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**57,484**	23,367
Aggregate amounts of the Group's share of those associates:		
Loss and total comprehensive income	**(3,676)**	(1,467)

14 Interests in Joint Ventures

	2021 HK$'000	2020 HK$'000
Share of net assets, including goodwill on acquisition	**4,036**	90,143
Amount due from a joint venture	**–**	2,400
	4,036	92,543

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

The amount due from a joint venture was unsecured, interest-free, had no fixed terms of repayment and was settled during the year ended 31 March 2021.

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

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

The Group acquired 50% equity interest in Great Global Inc. and its subsidiary (together as the "**Great Global Group**") at a consideration of HK$89,000,000 during the year ended 31 March 2020. The Group further acquired 50% equity interest in the Great Global Group at a consideration of HK$93,380,000 during the year ended 31 March 2021 and the joint ventures became wholly-owned subsidiaries of the Group (see note 27(A)(i)).

Summarised financial information of the Great Global Group, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2021 HK$'000
From 1 April 2020 to 6 October 2020 (date of step acquisition)	
Revenue	**8,411**
Loss and total comprehensive income	**(3,440)**

	2020 HK$'000
From 9 October 2019 (date of acquisition) to 31 March 2020	
Revenue	12,127
Loss and total comprehensive income	(2,730)
Reconciled to the Group's interest in the joint venture at 31 March 2020	
Gross amounts of net assets of the joint venture	175,285
Group's effective interest	50%
Group's share of net assets of the joint venture	87,643
Amount due from a joint venture	2,400
Carrying amount in the consolidated financial statements	90,043

14 Interests in Joint Ventures (Continued)

Information of the joint ventures that are not material:

	2021	2020
	HK$'000	HK$'000
Carrying amount of the immaterial joint ventures in the consolidated financial statements	**4,036**	2,500

15 Other Non-Current Assets

	As at 31 March	
	2021	2020
	HK$'000	HK$'000
Prepayments for purchase of non-current assets	**57,809**	61,922
Advance (Note)	**15,282**	40,735
	73,091	102,657

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

16 Inventories

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

	As at 31 March	
	2021	2020
	HK$'000	HK$'000
Raw materials	**149,960**	126,685
Work in progress	**18,966**	25,293
Finished goods	**187,258**	219,478
	356,184	371,456

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

	Continuing operations		**Discontinued operations**	
	Year ended 31 March		**Year ended 31 March**	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount of inventories sold	**869,822**	883,647	**13,227**	174,740
Write-down/(Reversal of write-down) of inventories	**15,010**	(2,166)	**–**	–
	884,832	881,481	**13,227**	174,740

17 Trade and Other Receivables

	As at 31 March	
	2021	2020
	HK$'000	HK$'000
Trade receivables	**260,993**	199,911
Other receivables	**13,691**	6,297
Deposits and prepayments	**43,061**	70,353
Amount due from an associate	**13**	–
Amount due from a joint venture	**–**	1,393
	317,758	277,954

At 31 March 2021, the deposits and prepayments expected to be recovered after more than one year amounted to HK$9,803,000 (2020: HK$16,018,000). The remaining trade and other receivables are expected to be recovered within one year.

AGEING ANALYSIS

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

	As at 31 March	
	2021	2020
	HK$'000	HK$'000
Less than 1 month	**162,940**	132,614
1 to 6 months	**68,981**	65,223
Over 6 months	**29,072**	2,074
	260,993	199,911

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

18 Other Financial Assets

	As at 31 March	
	2021	2020
	HK$'000	HK$'000
Non-current:		
Equity securities designated at FVOCI (non-recycling)		
– Unlisted	**209,972**	205,310
– Listed in Hong Kong	**240,923**	164,335
Financial assets measured at FVPL		
– Unlisted	**7,445**	7,173
	458,340	376,818
Current:		
Financial assets measured at FVPL		
– Listed outside Hong Kong	**–**	7,687

The Group designated its investments in equity securities acquired during the years ended 31 March 2021 and 2020 at FVOCI (non-recycling) under HKFRS 9 which are mainly represented by the investment in Shanghai Henlius Biotech, Inc and Tycoon Group Holdings Limited (additions during the year ended 31 March 2021). These designations were chosen as the investments are held for strategic purposes. No dividends were received on these investments since acquisitions.

19 Cash and Cash Equivalents and Other Cash Flow Information

(A) CASH AND CASH EQUIVALENTS COMPRISE:

	As at 31 March	
	2021 HK$'000	2020 HK$'000
Short-term deposits with banks	30,127	2,080
Cash at bank and in hand	450,223	415,913
Cash and cash equivalents in the consolidated statement of financial position	480,350	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	480,350	421,441

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

		Year ended 31 March	
	Note	2021 HK$'000	2020 HK$'000
Operating activities			
Profit/(loss) before taxation			
From continuing operations		220,569	263,486
From discontinued operations		(16)	2,084
Adjustments for:			
Depreciation and amortisation		191,701	170,775
Net loss on disposals of other property, plant and equipment	3	702	356
Net loss on disposals of intangible assets	3	1,347	–
Gain on deemed disposal of a joint venture	3	(7,457)	–
Gain on disposals of subsidiaries	3	(3,116)	–
Finance costs	4(A)	30,144	55,576
Interest income from bank deposits and the investments	3	(2,088)	(5,764)
Fair value gain on investment properties	3	(490)	(1,200)
Equity-settled share-based payment expenses	4(B)	–	1,509
Gain on redemption of Convertible Notes	3	–	(8,223)
Share of (losses)/profits of associates		3,676	(1,993)
Share of losses of joint ventures		1,851	1,365
Impairment losses on trade receivables	4(C)	–	2,600
Changes in working capital			
Decrease/(increase) in inventories		20,933	(51,737)
(Increase)/decrease in trade and other receivables		(38,821)	2
Increase/(decrease) in trade and other payables		17,676	(391)
Cash generated from operations		436,611	428,445

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

(C) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank loans HK$'000 (note 22)	Leases liabilities HK$'000 (note 21)	Lease liabilities associated with the group classified as held for sale HK$'000 (note 33)	Convertible Notes HK$'000 (Note)	Total HK$'000
At 1 April 2020	**1,553,636**	**94,492**	**4,723**	**–**	**1,652,851**
Changes from financing cash flows:					
Capital element of lease rentals paid	**–**	**(49,679)**	**–**	**–**	**(49,679)**
Interest element of lease rentals paid	**–**	**(2,031)**	**–**	**–**	**(2,031)**
Proceeds from bank loans	**1,210,500**	**–**	**–**	**–**	**1,210,500**
Repayment of bank loans	**(1,186,017)**	**–**	**–**	**–**	**(1,186,017)**
Other borrowing costs paid	**(28,113)**	**–**	**–**	**–**	**(28,113)**
Redemption of Convertible Notes	**–**	**–**	**–**	**–**	**–**
Total changes from financing cash flows	**(3,630)**	**(51,710)**	**–**	**–**	**(55,340)**
Other changes:					
Increase in lease liabilities from entering into new leases during the year	**–**	**34,492**	**–**	**–**	**34,492**
Termination of leases	**–**	**(8,801)**	**–**	**–**	**(8,801)**
Increase in lease liabilities from step acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**
Interest on lease liabilities (note 4(A))	**–**	**2,031**	**–**	**–**	**2,031**
Interest expenses (note 4(A))	**28,113**	**–**	**–**	**–**	**28,113**
Charged to capital reserve	**–**	**–**	**–**	**–**	**–**
Fair value change upon early redemption	**–**	**–**	**–**	**–**	**–**
Decrease in lease liabilities from disposal group	**–**	**–**	**(4,723)**	**–**	**(4,723)**
Total other changes	**28,113**	**27,722**	**(4,723)**	**–**	**51,112**
At 31 March 2021	**1,578,119**	**70,504**	**–**	**–**	**1,648,623**
At 1 April 2019	829,646	79,883	–	466,960	1,376,489
Changes from financing cash flows:					
Capital element of lease rentals paid	–	(52,606)	(4,267)	–	(56,873)
Interest element of lease rentals paid	–	(2,571)	(217)	–	(2,788)
Proceeds from bank loans	1,202,000	–	–	–	1,202,000
Repayment of bank loans	(478,010)	–	–	–	(478,010)
Other borrowing costs paid	(38,526)	–	–	(6,483)	(45,009)
Redemption of Convertible Notes	–	–	–	(500,000)	(500,000)
Total changes from financing cash flows	685,464	(55,177)	(4,484)	(506,483)	119,320
Other changes:					
Increase in lease liabilities from entering into new leases during the year	–	73,646	443	–	74,089
Increase in lease liabilities from step acquisition of subsidiaries	–	2,116	–	–	2,116
Interest on lease liabilities (note 4(A))	–	2,571	217	–	2,788
Interest expenses (note 4(A))	38,526	–	–	14,262	52,788
Charged to capital reserve	–	–	–	52,470	52,470
Fair value change upon early redemption	–	–	–	(27,209)	(27,209)
Transfer to liabilities associated with the group classified as held for sale	–	(8,547)	8,547	–	–
Total other changes	38,526	69,786	9,207	39,523	157,042
At 31 March 2020	1,553,636	94,492	4,723	–	1,652,851

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

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

(D) TOTAL CASH FLOWS FOR LEASES

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

	Year ended March 31	
	2021	2020
	HK$'000	HK$'000
Within financing cash flows	**(51,710)**	(59,661)

20 Trade and Other Payables

		As at 31 March	
		2021	2020
	Note	**HK$'000**	HK$'000
Trade payables	20(A)	**38,590**	36,018
Salary and bonus payables		**42,049**	42,975
Payables and accruals for addition of other property, plant and equipment		**107**	1,180
Other payables and accruals		**48,139**	30,942
Receipts in advance[#]		**3,430**	6,543
Amount due to an associate	20(B)	**3,407**	–
Amount due to a joint venture	20(C)	**2,000**	2,500
		137,722	120,158

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

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

(A) TRADE PAYABLES

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

	As at 31 March	
	2021	2020
	HK$'000	HK$'000
Within 1 month	**26,080**	23,218
1 to 6 months	**12,138**	12,636
Over 6 months	**372**	164
	38,590	36,018

(B) AMOUNT DUE TO AN ASSOCIATE

The amount due to an associate is unsecured, interest-free and repayable on demand.

(C) AMOUNT DUE TO A JOINT VENTURE

The amount due to a joint venture is unsecured, interest-free and repayable on demand.

21 Lease Liabilities

As at the end of the Reporting Period, the lease liabilities were repayable as follows:

	As at 31 March	
	2021	2020
	HK$'000	HK$'000
Within 1 year	**35,941**	47,450
After 1 year but within 2 years	**19,568**	27,271
After 2 years but within 5 years	**14,995**	19,771
	34,563	47,042
	70,504	94,492

22 Bank Loans

An analysis of the carrying amount of bank loans is as follows:

	As at 31 March	
	2021	2020
	HK$'000	HK$'000
Current portion of bank loans	**685,909**	538,654
Non-current portion of bank loans	**892,210**	1,014,982
	1,578,119	1,553,636

22 Bank Loans (Continued)

Bank loans were analysed as follows:

	As at 31 March	
	2021	2020
	HK$'000	HK$'000
Bank loans		
– secured	**1,368,423**	1,464,708
– unsecured	**209,696**	88,928
	1,578,119	1,553,636

The bank loans are repayable as follows based on the repayment terms:

	As at 31 March	
	2021	2020
	HK$'000	HK$'000
Bank loans due for repayment:		
Within 1 year	**685,909**	538,654
After 1 year but within 2 years	**429,402**	633,127
After 2 years but within 5 years	**371,967**	283,215
After 5 years	**90,841**	98,640
	892,210	1,014,982
	1,578,119	1,553,636

As at 31 March 2021 and 2020, the secured bank facilities were secured by investment properties and other property, plant and equipment of the Group, and corporate guarantees provided by the Company and certain subsidiaries of the Group, while the unsecured facilities were guaranteed by the Company, certain subsidiaries of the Group and guarantees from the Hong Kong Mortgage Corporation Limited.

These facilities amounted to HK$1,854,119,000 as of 31 March 2021 (2020: HK$1,758,887,000). These facilities were utilised to the extent of HK$1,599,584,000 (2020: HK$1,574,076,000).

All the Group's banking facilities are subject to the fulfilment of covenants based on the financial statements of the Group and certain of its subsidiaries, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. As at 31 March 2021, none of the covenants relating to drawn down facilities had been breached (2020: Nil). Further details of the Group's management of liquidity risk are set out in note 29(B).

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

	As at 31 March	
	2021	2020
	HK$'000	HK$'000
Other property, plant and equipment	**834,743**	393,421
Investment properties	**207,480**	358,000
	1,042,223	751,421

23 Deferred Tax

(A) DEFERRED TAX LIABILITIES/(ASSETS) RECOGNISED

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

	Property, plant and equipment HK$'000	Intangible assets HK$'000	Provisions HK$'000	Unused tax losses HK$'000	Total HK$'000
At 1 April 2019	80,943	100,641	–	(40,198)	141,386
Acquisition of subsidiaries	99	35,821	–	–	35,920
(Credited)/charged to profit or loss	(4,463)	(1,246)	(429)	3,313	(2,825)
Exchange difference	159	–	–	–	159
At 31 March 2020	76,738	135,216	(429)	(36,885)	174,640
At 1 April 2020	**76,738**	**135,216**	**(429)**	**(36,885)**	**174,640**
Acquisition of subsidiaries	**29,125**	**–**	**–**	**–**	**29,125**
(Credited)/charged to profit or loss	**(3,964)**	**(6,205)**	**–**	**2,688**	**(7,481)**
Exchange difference	**(185)**	**–**	**–**	**–**	**(185)**
At 31 March 2021	**101,714**	**129,011**	**(429)**	**(34,197)**	**196,099**

Reconciliation to the consolidated statement of financial position

	As at 31 March	
	2021 HK$'000	2020 HK$'000
Deferred tax assets recognised in the consolidated statement of financial position	**(10,263)**	(10,083)
Deferred tax liabilities recognised in the consolidated statement of financial position	**206,362**	184,723
	196,099	174,640

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

(B) DEFERRED TAX ASSETS NOT RECOGNISED

As at 31 March 2021, in accordance with the accounting policy set out in note 1(V), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$8,272,000 (2020: HK$4,496,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Tax losses as at 31 March 2021 and 2020 have no expiry dates under current tax legislation.

24 Share Capital

	Number of shares '000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each at 31 March 2020, 1 April 2020 and 31 March 2021	5,000,000	50,000
Issued:		
At 1 April 2019	2,015,625	20,156
Shares repurchased (Note)	(81,404)	(813)
Shares held for Share Award Scheme (note 28(A))	(17,268)	(173)
At 31 March 2020	1,916,953	19,170
At 1 April 2020	1,916,953	19,170
Shares held for Share Award Scheme (note 28(A))	(1,276)	(13)
At 31 March 2021	**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.

Note: During the year ended 31 March 2020, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

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

25 Company-level Statement of Financial Position

	As at 31 March	
	2021	2020
	HK$'000	HK$'000
Non-current assets		
Interests in subsidiaries	**518,521**	2,432,421
Prepayment	**968**	370
Other financial assets	**12,617**	–
	532,106	2,432,791
Current assets		
Prepayment	**–**	443
Amount due from subsidiaries	**1,566,346**	–
Cash and cash equivalents	**13,829**	55,048
	1,580,175	55,491
Current liabilities		
Other payables	**170**	17
Amounts due to subsidiaries	**–**	301,511
	170	301,528
Net current assets/(liabilities)	**1,580,005**	(246,037)
NET ASSETS	**2,112,111**	2,186,754
CAPITAL AND RESERVES		
Share capital	**19,157**	19,170
Reserves	**2,092,954**	2,167,584
TOTAL EQUITY	**2,112,111**	2,186,754

25 Company-level Statement of Financial Position (Continued)

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

	Share capital HK$'000	Share premium HK$'000	Share for Share Award Scheme HK$'000	Capital reserve HK$'000	Fair value reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2019	20,156	1,126,716	–	267,876	–	34,836	1,449,584
Profit for the year	–	–	–	–	–	1,027,047	1,027,047
Dividends approved in respect of the previous year (note 9(B))	–	–	–	–	–	(60,265)	(60,265)
Dividends declared in respect of the current year (note 9(A))	–	–	–	–	–	(39,967)	(39,967)
Redemption of Convertible Notes	–	–	–	(52,470)	–	18,986	(33,484)
Equity-settled share-based transactions (note 28)	–	–	–	(5,266)	–	–	(5,266)
Purchase of own shares	(813)	(126,821)	–	–	–	–	(127,634)
Shares held for Share Award Scheme (note 24)	(173)	–	(23,088)	–	–	–	(23,261)
At 31 March 2020 and 1 April 2020	**19,170**	**999,895**	**(23,088)**	**210,140**	**–**	**980,637**	**2,186,754**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**288,067**	**288,067**
Other comprehensive income	**–**	**–**	**–**	**–**	**(1,660)**	**–**	**(1,660)**
	–	**–**	**–**	**–**	**(1,660)**	**288,067**	**286,407**
Dividends approved in respect of the previous year (note 9(B))	**–**	**–**	**–**	**–**	**–**	**(47,892)**	**(47,892)**
Dividends declared in respect of the current year (note 9(A))	**–**	**–**	**–**	**–**	**–**	**(15,325)**	**(15,325)**
Special interim dividend in the form of distribution in specie of JBM Healthcare Share (notes 9(A) and 32(B))	**–**	**–**	**–**	**–**	**–**	**(290,133)**	**(290,133)**
Equity-settled share-based transactions (note 28)	**–**	**–**	**–**	**(6,199)**	**–**	**–**	**(6,199)**
Shares held for Share Award Scheme (note 24)	**(13)**	**–**	**(1,488)**	**–**	**–**	**–**	**(1,501)**
At 31 March 2021	**19,157**	**999,895**	**(24,576)**	**203,941**	**(1,660)**	**915,354**	**2,112,111**

26 Reserves

The nature and purpose of reserves are set out below:

(A) SHARE PREMIUM

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

(B) CAPITAL RESERVE

The capital reserve comprises the following:

– shareholders' loans capitalised;

– the difference between the considerations paid by the Group and the share of net assets value of the subsidiaries acquired from non-controlling interests;

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

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

– with (i) issuance of JBM Healthcare Shares during the year ended 31 March 2021 and (ii) special interim dividend made in the form of distribution in specie of an aggregate of 241,777,625 JBM Healthcare Shares to the Company's qualifying shareholders on 5 February 2021, the Company's equity interest in JBM Healthcare has been diluted from 100% to 53.7%. Although the Group retains its control over JBM Healthcare and JBM Healthcare remains as a subsidiary, the effect of the reduction in the Company's equity interest in JBM Healthcare, being the difference between the fair value of consideration and the fair value of special interim dividend and the non-controlling interests in JBM Healthcare, has been recognised directly in capital reserve (note 32B).

(C) EXCHANGE RESERVE

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

(D) FAIR VALUE RESERVE (NON-RECYCLING)

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

(E) CAPITAL MANAGEMENT

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

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

Except for the banking facilities which require the fulfillment of covenants relating to certain financial ratios as disclosed in note 22, the Group is not subject to externally imposed capital requirements.

27 Acquisition of Subsidiaries

(A) BUSINESS COMBINATIONS

(i) Step acquisition of Great Global Group

On 6 October 2020, JPG (BVI), 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 JPG (BVI) conditionally agreed to purchase and the Vendors conditionally agreed to sell, a 50% equity interest in the Great Global Group at a consideration of HK$89,000,000 (the "**Step Acquisition**"). Great Global Inc. is an investment holding company incorporated in the British Virgin Islands and its subsidiary is principally engaged in manufacturing and sales of pharmaceutical products.

The fair value of the Group's then 50% equity holding in the Great Global Group immediately before the Step Acquisition (the "**Existing Shareholding**") formed part of the total consideration of the Step Acquisition and was included in the calculation of goodwill on the Step Acquisition.

As at 6 October 2020, the fair value of the Existing Shareholding was estimated by management at HK$93,380,000. Compared with their respective carrying amounts before valuation, gain on the deemed disposal of the respective interests of HK$7,457,000 was recognised in profit and loss (note 3).

Upon the completion of the Step Acquisition on 6 October 2020, the Great Global Group, the former 50% joint ventures of the Group, became wholly-owned subsidiaries of the Group.

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

	As at 6 October 2020 HK$'000
Other property, plant and equipment	162,301
Intangible assets	14,603
Cash and cash equivalents	2,755
Inventories	5,661
Trade and other receivables	895
Amount due from immediate holding company	49,471
Current tax recoverable	97
Trade and other payables	(1,123)
Amount due to related companies	(1,140)
Deferred tax liabilities	(28,999)
Bank loans	(50,000)
Fair value of net assets acquired	154,521
Less: fair value of Existing Shareholding	(93,380)
Goodwill	32,239
Total consideration, satisfied in cash paid	93,380
Less: cash and cash equivalents acquired	(2,755)
Net cash outflow	90,625

Goodwill arising from the acquisition of the Great Global Group represents the benefits of expected synergies to be achieved from integrating the subsidiaries into the Group's existing businesses and future market development. None of the goodwill recognised is expected to be deductible for tax purposes.

The Great Global Group contributed revenue of HK$7,129,000 and loss of HK$3,812,000 to the Group for the period from 6 October 2020 to 31 March 2021. If the Step Acquisition had occurred on 1 April 2020, the Group's revenue and profit for the year ended 31 March 2021 would have increased by HK$8,411,000 and decreased by HK$1,720,000 (after deduction of share of losses from 1 April 2020 to 6 October 2020) respectively.

27 Acquisition of Subsidiaries (Continued)

(A) BUSINESS COMBINATIONS (Continued)

(ii) Step acquisition of Orizen Group

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

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

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

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

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

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

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

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

On 27 July 2020, Sampan, Ms. Yang and JBM Healthcare entered into a share purchase agreement under which Sampan agreed to purchase 10% of the total issued share capital of Orizen Group at the consideration of HK$30,000,000, which was satisfied by way of an allotment and issuance of 30,000,000 JBM Healthcare shares by JBM Healthcare to Ms. Yang. The transaction resulted in the Group's ownership in the Orizen Group to increase from 88% to 98%.

27 Acquisition of Subsidiaries (Continued)

(A) BUSINESS COMBINATIONS (Continued)

Measurement of fair value

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

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

(B) ASSETS ACQUISITIONS

During the year ended 31 March 2021, the Group acquired certain industrial premises used by own 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.

28 Equity-settled Share-based Transactions

(A) SHARE AWARD SCHEME

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

The Company's shares to be granted under the Share Award Scheme will be purchased and held by a trustee. The maximum of purchases by the trustee in any financial year will be fixed by the Board 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 Board, no share award will be granted to any individual if granting of such share award would result in the total number of shares granted to the individual during any 12-month period exceeding 0.5% of the total issued shares of the Company (0.1% of the total issued shares of the Company in case for an independent non-executive Director of the Company).

During the year ended 31 March 2021, the Share Award Scheme acquired 1,276,000 shares (2020: 17,268,000 shares) through purchases on the open market. The total amount paid to acquire the shares during the year was HK$1,501,000 (2020: HK$23,261,000).

There was no share award granted under the Share Award Scheme during the years ended 31 March 2021 and 2020.

28 Equity-settled Share-based Transactions (Continued)

(B) SHARE OPTION SCHEME

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

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

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

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

	As at 31 March			
	2021		2020	
	Weighted average exercise price HK$	**Number of options '000**	Weighted average exercise price HK$	Number of options '000
Outstanding at the beginning of the year	**2.06**	**10,880**	2.06	24,480
Granted during the year	**–**	**–**	–	–
Forfeited during the year	**–**	**–**	–	–
Lapsed during the year	**2.06**	**(10,880)**	2.06	(13,600)
Outstanding at the end of the year	**–**	**–**	2.06	10,880
Exercisable at the end of the year	**–**	**–**	2.06	10,880

No shares options were exercised during the year (2020: nil).

28 Equity-settled Share-based Transactions (Continued)

(B) SHARE OPTION SCHEME (Continued)

(iii) Fair value of share options and assumptions

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

Fair value of share options and assumptions

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

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

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

29 Financial Risk Management and Fair Values

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

(A) CREDIT RISK

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 March 2021, 31.2% (2020: 7.7%) of the total trade and other receivables was due from the Group's largest debtor and 48.6% (2020: 21.0%) was due from the five largest debtors respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which, except for amounts due from customers with significant balances or credit-impaired that are assessed individually, is calculated using a provision matrix. Accordingly, the Group recognised credit loss allowance of HK$2,600,000 for a single customer with significant doubt on collection that is individually impaired for the year ended 31 March 2021 (2020: HK$2,600,000). As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

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

The Group assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 as at 31 March 2021 and 2020 other than for the abovementioned customers, and no provision matrix has therefore been disclosed.

29 Financial Risk Management and Fair Values (Continued)

(B) LIQUIDITY RISK

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

The contractual undiscounted cash flows of trade and other payables excluding receipts in advance as at 31 March 2021 and 2020 are due within 1 year or on demand and equal to their carrying value, at the end of the Reporting Period.

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

	As at 31 March 2020					
	Contractual undiscounted cash outflow					
	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
Bank loans	576,047	647,724	301,695	115,712	1,641,178	1,553,636
Lease liabilities	49,492	28,173	20,344	–	98,009	94,492
	625,539	675,897	322,039	115,712	1,739,187	1,648,128

	As at 31 March 2021					
	Contractual undiscounted cash outflow					
	Within 1 year HK$'000	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**	**More than 5 years HK$'000**	**Total HK$'000**	**Carrying mount HK$'000**
Bank loans	**710,037**	**440,191**	**380,008**	**98,495**	**1,628,731**	**1,578,119**
Lease liabilities	**37,107**	**20,109**	**15,230**	**–**	**72,446**	**70,504**
	747,144	**460,300**	**395,238**	**98,495**	**1,701,177**	**1,648,623**

29 Financial Risk Management and Fair Values (Continued)

(C) INTEREST RATE RISK

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

(i) Interest rate profile

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

	As at 31 March			
	2021 Effective interest rate	**Amount HK$'000**	2020 Effective interest rate	Amount HK$'000
Fixed rate borrowings:				
Lease liabilities	**0.91% – 3.30%**	**70,504**	2.95% – 3.30%	94,492
Variable rate borrowings:				
Bank loans	**1.11% – 2.77%**	**1,578,119**	2.50% – 4.63%	1,553,636
Total interest-bearing borrowings		**1,648,623**		1,648,128
Fixed rate borrowings as a percentage of total net borrowings		**4.3%**		5.7%

(ii) Sensitivity analysis

As at 31 March 2021, it is estimated that a general increase/decrease of 10 basis points in interest rates with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately HK$1,318,000 (2020: HK$1,297,000).

The sensitivity analysis above indicates the annualised impact on the Group's interest expense that would arise assuming that the change in interest rates had occurred at the end of the Reporting Period and had been applied to floating rate instruments which expose the Group to cash flow interest rate risk at that date. The analysis does not take into account exposure to fair value interest rate risk arising from fixed rate instruments as the Group does not hold any fixed rate instruments which are measured at fair value in the financial statements. The analysis is performed on the same basis for 2020.

(D) CURRENCY RISK

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

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

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

29 Financial Risk Management and Fair Values (Continued)

(D) CURRENCY RISK (Continued)

(i) Exposure to currency risk

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

	As at 31 March							
	2021				2020			
	United States dollars HK$'000	Euros HK$'000	Renminbi HK$'000	Singapore dollars HK$'000	United States dollars HK$'000	Euros HK$'000	Renminbi HK$'000	Singapore dollars HK$'000
Cash and cash equivalents	17,511	55	16	–	23,543	195	6,658	126
Trade and other receivables	5,018	382	29,277	583	8,032	5,353	10,162	1,824
Trade and other payables	(16,666)	(377)	(2,040)	–	(7,993)	(736)	–	–
Net exposure arising from recognised assets and liabilities	5,863	60	27,253	583	23,582	4,812	16,820	1,950

(ii) Sensitivity analysis

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

	As at 31 March			
	2021		2020	
	Increase/(decrease) in foreign exchange rates	Effect on profit after tax and retained profits HK$'000	Increase/(decrease) in foreign exchange rates	Effect on profit after tax and retained profits HK$'000
Euros	6%	3	3%	121
	(6)%	(3)	(3)%	(121)
Renminbi	8%	1,821	7%	983
	(8)%	(1,821)	(7)%	(983)
Singapore dollars	6%	29	6%	98
	(6)%	(29)	(6)%	(98)

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the Reporting Period. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis is performed on the same basis for 2020.

29 Financial Risk Management and Fair Values (Continued)

(E) FAIR VALUE MEASUREMENT

(a) Fair value hierarchy

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

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

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

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

The following table presents the Group's financial assets that were measured at fair value at 31 March 2021.

	Fair value at 31 March 2021	**Fair value measurements at 31 March 2021 categorised into**		
		Level 1	**Level 2**	**Level 3**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets:				
Financial assets at FVPL				
– Unlisted	**7,445**	**–**	**7,445**	**–**
– Listed outside Hong Kong	**–**	**–**	**–**	**–**
Financial assets at FVOCI				
– Unlisted	**209,971**	**–**	**152,281**	**57,690**
– Listed in Hong Kong	**240,924**	**240,924**	**–**	**–**

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

As at 31 March 2021, the fair value of the unlisted financial assets at FVOCI of HK$57,690,000 were determined using discounted cash flow method (2020: with reference to the pricing of the recent transactions or offerings of the investees' shares) due to lack of recent transaction. Accordingly, the fair value measurement was transferred from Level 2 to Level 3.

As at 31 March 2020, an unadjusted quoted price of one of the financial assets designated at FVOCI was not available in the active market. In August 2019, the same financial asset designated at FVOCI became listed on the Stock Exchange. Accordingly, the fair value measurement was transferred from Level 2 to Level 1.

Except for the abovementioned financial assets, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 during the year ended 31 March 2020 and 2021. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the ended of the Reporting Period in which they occur.

29 Financial Risk Management and Fair Values (Continued)

(E) FAIR VALUE MEASUREMENT (Continued)

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

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

(c) Information about Level 3 fair value measurements

	Valuation technique	Significant unobservable inputs	Range
Unlisted financial assets at FVOCI	Discounted cash flow method	Discount rate	13.1% – 14.7%

The fair value of unlisted equity instruments is determined using discounted cash flow method. The fair value measurement is negatively correlated to the discount rate. As at 31 March 2021, it is estimated that with all variable held constant, a decrease/increase in discount rate by 1% would have increased/decreased the Group's other comprehensive income by HK$9,351,000/HK$7,733,000.

30 Commitments

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

	As at 31 March	
	2021	2020
	HK$'000	HK$'000
Authorised and contracted for		
– Purchase of non-current assets	**41,310**	51,694
– Acquisition of a subsidiary	**17,400**	79,320
	58,710	131,014

31 Material Related Party Transactions

KEY MANAGEMENT PERSONNEL EMOLUMENTS

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

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

32 Partial Disposals of Subsidiaries Resulting in Loss of Control and Deemed Disposals of Partial Interests in JBM Healthcare Group

(A) 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.

32 Partial Disposals of Subsidiaries Resulting in Loss of Control and Deemed Disposals of Partial Interests in JBM Healthcare Group (Continued)

(A) 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 31 March 2020. These assets and liabilities on the date of disposal (15 June 2020) the reconciliation to gain on disposal 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 payable	568
Cash and cash equivalents	2,396
Trade payables, other payables and accruals	(10,759)
Lease liabilities	(4,723)
Net assets disposed of	66,021
Gain on disposals of HNH and its subsidiary	
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

(B) DEEMED DISPOSALS OF PARTIAL INTERESTS IN JBM HEALTHCARE

(i) On 27 July 2020, Sampan, the non-controlling interests of Orizen and JBM Healthcare, 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 to the non-controlling interests.

(ii) On 27 July 2020, JBM Healthcare 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.

(iii) On 5 February 2021, 241,777,625 ordinary shares of JBM Healthcare of HK$1.20 each were declared by the Company as a special interim dividend by way of distribution in specie to the Company's qualifying shareholders (see note 9(A)).

(iv) On 5 February 2021, 44,686,000 ordinary shares of HK$0.01 each were issued by JBM Healthcare at HK$1.20 per share to the public for a net proceeds of HK$48,253,000 (gross proceeds of HK$53,623,000 and deducted share issuance expenses of HK$5,370,000).

With the effects of (i)-(iv) above, the Company's equity interest in JBM Healthcare has been diluted from 100% to 53.7%. Although the Group retains its control over JBM Healthcare and JBM Healthcare remains as a subsidiary, the effect of the reduction in the Company's equity interest in JBM Healthcare of HK$42,616,000, being the difference between the fair value of consideration of HK$145,253,000 and the fair value of special interim dividend of HK$290,133,000 and the non-controlling interests in JBM Healthcare of HK$392,770,000, has been recognised directly in reserves (note 26(B)).

33 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

The results of the discontinued operations for the years ended 31 March 2021 and 2020 are set out below:

	Year ended 31 March	
	2021 HK$'000	2020 HK$'000
Revenue	**14,202**	186,220
Cost of sales	**(13,227)**	(174,740)
Gross profit	**975**	11,480
Other net income	**262**	90
Selling and distribution expenses	**(1,164)**	(8,562)
Administrative and other operating expenses	**(89)**	(707)
(Loss)/profit from operations	**(16)**	2,301
Finance costs	**–**	(217)
(Loss)/profit before taxation	**(16)**	2,084
Income tax credits/(expenses)	**19**	(437)
Profit for the year from discontinued operations	**3**	1,647
Attributable to:		
Equity shareholders of the Company	**3**	1,137
Non-controlling interests	**–**	510
	3	1,647
Cash flow		
Operating cash (outflows)/inflows	**(440)**	4,651
Investing cash inflows	**2**	34
Financing cash outflows	**(614)**	(4,484)
Net cash (outflows)/inflows	**(1,052)**	201

34 Non-adjusting Events after the Reporting Period

On 23 February 2021, the Group has entered into a sales and purchase agreement with an external party to acquire certain units in an industrial building in Hong Kong at a consideration of HK$23,140,000. The acquisition is expected to be completed on 30 June 2021.

35 Immediate and Ultimate Controlling Party

At 31 March 2021, the Directors consider the immediate parent and ultimate controlling party of the Group to be Kingshill Development Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

36 Accounting Judgements and Estimates

KEY SOURCES OF UNCERTAINTY

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

IMPAIRMENT OF INTANGIBLE ASSETS

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

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

37 Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for the Year Ended 31 March 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 March 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Infected Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts – Cost of fulfilling a contract*	1 January 2022
Annual improvements to HKFRSs, 2018-2020 Cycle	1 January 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

GROUP PROPERTIES

Major properties held for investment

Location	**Use**	**Lease term**
Office Nos. 6-11, 8th Floor, C-Bons International Centre, No. 108 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong	Commercial	Medium lease
7th Floor, Rainbow Factory Building, No. 149 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong	Commercial and industrial	Medium lease
9 units of workshop on 2nd, 4th, 5th, 6th and 14th Floor, Wah Yiu Industrial Centre, Nos. 30–32 Au Pui Wan Street, Shatin, New Territories, Hong Kong	Industrial	Medium lease

Five-year Financial Summary

(Expressed in Hong Kong dollars)

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

	Year ended 31 March				
	2021 HK$'000	2020 HK$'000	2019 HK$'000 (Restated) (Note)	2018 HK$'000	2017 HK$'000
Revenue	**1,445,915**	1,571,459	1,478,125	1,548,684	1,255,957
Cost of sales	**(884,832)**	(881,481)	(803,474)	(931,022)	(699,069)
Gross profit	**561,083**	689,978	674,651	617,662	556,888
Other net income	**102,743**	30,091	37,064	19,506	11,740
Selling and distribution expenses	**(177,412)**	(195,286)	(168,877)	(167,075)	(145,350)
Administrative and other operating expenses	**(230,174)**	(206,566)	(172,253)	(172,865)	(188,036)
Profit from operations	**256,240**	318,217	370,585	297,228	235,242
Finance costs	**(30,144)**	(55,359)	(66,198)	(46,005)	(13,996)
Share of (losses)/profits of associates	**(3,676)**	1,993	4,719	–	–
Share of losses of joint ventures	**(1,851)**	(1,365)	–	–	–
Profit before taxation	**220,569**	263,486	309,106	251,223	221,246
Income tax	**(34,264)**	(46,025)	(55,528)	(46,323)	(39,986)
Profit for the year from continuing operations	**186,305**	217,461	253,578	204,900	181,260
Profit for the year from discontinued operations	**3**	1,647	5,100	–	–
Profit for the year	**186,308**	219,108	258,678	204,900	181,260
Profit attributable to:					
Equity shareholders of the Company	**173,713**	215,631	250,561	202,270	179,328
Non-controlling interests	**12,595**	3,477	8,117	2,630	1,932
Total profit for the year	**186,308**	219,108	258,678	204,900	181,260

	As at 31 March				
	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Total non-current assets	**3,706,368**	3,409,824	3,016,587	2,369,473	2,136,155
Total current assets	**1,160,782**	1,170,376	1,244,007	1,241,682	833,912
Total current liabilities	**873,906**	727,360	1,054,371	1,461,363	1,058,489
Total non-current liabilities	**1,133,135**	1,246,747	519,085	141,817	139,260
Net current assets/(liabilities)	**286,876**	443,016	189,636	(219,681)	(224,577)
Total assets less current liabilities	**3,993,244**	3,852,840	3,206,223	2,149,792	1,911,578
Net assets	**2,860,109**	2,606,093	2,687,138	2,007,975	1,772,318

Note:

The wholesale and retail segment has been classified as discontinued operations of the Group for the years ended 31 March 2021, 2020 and 2019. In accordance with HKFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, the Group has restated the comparative information in 2019 in this regard.

Glossary

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

"2021 AGM"	the forthcoming 2021 annual general meeting of the Company
"AIM Atropine Eye Drops"	refers to AIM Atropine 0.01% Eye Drops and AIM Atropine 0.125% Eye Drops procured from Aseptic Innovative Medicine Co. Ltd., an anticholinergic agent as a sterile topical preservative-free ophthalmic solution that is commonly used in the treatment of myopia, mydriasis and cycloplegia
"Articles of Association"	the articles of association of the Company currently in force
"associate(s), chief executive(s), connected person(s), substantial shareholder(s)"	each has the meaning as described in the Listing Rules
"Audit Committee"	the audit committee of the Company
"Award Committee"	the award committee of the Company
"Board"	the board of directors of the Company
"China", "Mainland China", "PRC" or "the PRC"	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, Macau and Taiwan
"Company", "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
"Convertible Notes"	convertible notes in an aggregate principal amount of HK$500 million which carried a coupon interest rate of 3.5% p.a. were issued by the Company on 3 October 2017 and were supposed to be due in October 2020
"COVID-19"	Coronavirus disease 2019
"Director(s)"	the director(s) of the Company
"Executive Committee"	the executive committee of the Company
"Fosun Pharma"	Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (上海復星醫藥(集團)股份有限公司), a joint stock limited company incorporated in the PRC with limited liability
"Fosun Pharma Group"	Fosun Pharma and its subsidiaries
"FY2020"	the year ended 31 March 2020
"FY2021" or "Reporting Period"	the year ended 31 March 2021
"GMP"	Good Manufacturing Practice, a set of detailed guidelines on practices governing the production of pharmaceutical products designed to protect consumers by minimising production errors and the possibility of contamination
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Jacobson", "Group", "our Group", "the Group", "we", "us", or "our"	the Company and its subsidiaries and, in respect of the period before we became the holding company of our present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Jacobson Connected Persons"	any of the Company, JBM Group BVI and their respective associates other than JBM Healthcare Group
"JBM Group BVI"	JBM Group (BVI) Limited, a company with limited liability incorporated under the laws of the British Virgin Islands on 24 December 2019, which is a controlling shareholder of JBM Healthcare
"JBM Healthcare"	JBM (Healthcare) Limited, an exempted company incorporated in the Cayman Islands with limited liability on 7 January 2020, the issued shares of which are listed on the Main Board on 5 February 2021, an indirect non-wholly owned subsidiary of the Company (stock code: 2161)
"JBM Healthcare Group"	JBM Healthcare and its subsidiaries
"JBM Healthcare Share(s)"	ordinary share(s) in the share capital of JBM Healthcare with nominal value of HK$0.01 each
"Kingshill"	Kingshill Development Limited, a limited liability company incorporated under the laws of the British Virgin Islands on 8 July 1998, and one of our Controlling Shareholders
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Macau"	the Macau Special Administrative Region of the PRC
"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
"mRNA"	messenger ribonucleic acid
"Mr. Sum"	Mr. Sum Kwong Yip, Derek, our chairman, executive Director, chief executive officer and one of our Controlling Shareholders
"net debts"	bank loans and convertible notes less cash and cash equivalents
"Nomination Committee"	the nomination committee of the Company
"Orizen"	Orizen Capital Limited, a company with limited liability incorporated under the laws of the British Virgin Islands on 6 June 2018 which is an indirect non-wholly owned subsidiary of the Company
"Orizen Group"	Orizen and its subsidiaries
"PIC/S"	two international instruments, the Pharmaceutical Inspection Convention and the Pharmaceutical Inspection Co-operation Scheme, which seek to promote constructive co-operation in the field of GMP between the participating authorities in different geographic markets
"PIC/S GMP"	Good Manufacturing Practice in accordance with the PIC/S GMP Guide issued by PIC/S
"Private Sector"	refers to non-Public Sector

"Prospectus"	the prospectus issued by the Company dated 8 September 2016
"Public Sector"	refers to public sector institutions and clinics in Hong Kong
"Queenshill"	Queenshill Development Limited, a limited liability company incorporated under the laws of BVI on 12 December 2012
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Company
"Reorganisation"	the reorganisation arrangements undergone by JBM Healthcare Group in preparation for the listing of JBM Healthcare Shares on the Main Board, details of which are set forth in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in the prospectus of JBM Healthcare dated 26 January 2021
"Risk Management Committee"	a working committee reporting to the Audit Committee on the Group's risk-related matters
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)" or "share(s)"	ordinary share(s) in the capital of the Company with nominal value of HK$0.01 each
"Share Award Scheme"	the share award scheme adopted by our Company on 16 October 2018, the principal terms of which are summarised in the announcement of the Company dated 16 October 2018
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 30 August 2016, the principal terms of which are summarised in "Statutory and General Information — D. Other Information — 1. Share Option Scheme" in Appendix V to the Prospectus
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"The Kingshill Trust"	The Kingshill Trust is a discretionary trust established by Mr. Sum (as settlor) on 16 May 2016 with Mr. Sum and his family members as the discretionary beneficiaries
"The Queenshill Trust"	The Queenshill Trust is a discretionary trust established by Mr. Sum (as settlor) on 16 May 2016 with Mr. Sum and his family members as the discretionary beneficiaries
"WHO"	World Health Organisation
"Yunnan Baiyao Group"	Yunnan Baiyao Group Co., Ltd.* (雲南白藥集團股份有限公司), a joint stock limited company incorporated in the PRC with limited liability

* *For purpose of identification only*