

Delivering Health As A Trusted Partner



JACOBSON PHARMA CORPORATION LIMITED

Incorporated under the laws of the Cayman Islands with limited liability

Stock Code : 2633



Interim Report 2022

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Professor Wong Chi Kei, Ian

Independent Non-executive Directors

Dr. Lam Kwing Tong, Alan
Mr. Young Chun Man, Kenneth
Professor Lam Sing Kwong, Simon

AUDIT COMMITTEE

Mr. Young Chun Man, Kenneth (Chairman)
Dr. Lam Kwing Tong, Alan
Professor Lam Sing Kwong, Simon

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Young Chun Man, Kenneth (Chairman)
Dr. Lam Kwing Tong, Alan
Mr. Yim Chun Leung

EXECUTIVE COMMITTEE

Mr. Sum Kwong Yip, Derek (Chairman)
Mr. Yim Chun Leung
Ms. Pun Yue Wai

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Professor Lam Sing Kwong, Simon (Chairman)
Mr. Yim Chun Leung
Mr. Yu Chun Kau

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
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

AUDITOR

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

PRINCIPAL BANKERS

(in alphabetical order)
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

	Six months ended 30 September 2022	Six months ended 30 September 2021	Change
	HK\$'000	HK\$'000	
Revenue			
– Generic drugs	581,891	562,177	+3.5%
– Branded healthcare	235,462	188,236	+25.09%
Total	817,353	750,413	+8.92%
Gross profit	340,429	272,842	+24.77%
Gross profit margin (%)	41.7%	36.4%	
Profit attributable to equity shareholders of the Company	136,192	80,039	+70.16%
Profit margin attributable to equity shareholders of the Company (%)	16.7%	10.7%	
Adjusted EBITDA ⁽¹⁾	290,457	203,856	+42.48%
Adjusted EBITDA margin (%) ⁽²⁾	35.5%	27.2%	
Return on equity (%) ⁽³⁾	9.9%	5.8%	

	As at 30 September 2022	As at 31 March 2022	Change
	HK\$'000	HK\$'000	
Total assets	5,055,953	4,755,540	+6.95%
Total liabilities	2,051,768	1,797,575	+14.14%
Total equity	3,004,185	2,957,965	+2.59%

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

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

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



CORPORATE VISION AND MISSION



A MISSION
THAT
MATTERS



A VISION
THAT
INSPIRES



A CULTURE
THAT
ACHIEVES

OUR VISION

At Jacobson, we aspire to be an eminent player in essential medicines, specialty drugs and consumer healthcare solutions in Greater China and 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 essential medicines, 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 public and private 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 pharmaceutical products 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 Eye Drops 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 from China, Macau, Taiwan and select countries in Southeast Asia, Europe, North America and the Caribbean Islands.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The epidemic situation in Hong Kong stabilised in the second quarter of 2022 following the fifth wave of outbreak at the beginning of the year. With the subsided COVID-19 infection cases, the HKSAR Government's relaxation of social distancing and travel restriction measures have gradually led to the rebound of economic and social activities. As a result, we have seen notable positive momentum in our performance in the first half of FY2023. Continued improvement is expected upon the trend of further easing of restrictive restrictions, driven by the gradual recovery of the overall economy alongside the boosting measures by the government.

Amid the market challenges, the Group remained resilient. Our first-half performance reflected the progress we have made with growth across the business segments, disciplined cost control and enhanced operational efficiency. We have committed to the consistent and careful execution of our strategies which, we believe, has positioned the Group well in navigating the challenges with resilience.

RESULTS

During the six months ended 30 September 2022, the Group posted a period-on-period growth of 8.9% in its total revenue, amounting to HK\$817.4 million. Gross profit also increased by 24.8% to HK\$340.4 million, whilst profit attributable to equity shareholders amounting to HK\$136.2 million, up by HK\$56.2 million or 70.2%, which was mainly contributed by the uplift in sales revenue, together with the enhancement in product mix and operating leverage, coupled with the subsidies from the HKSAR Government pertinent to the Employment Support Scheme.

The Group's subsidiary in consumer branded healthcare, JBM Healthcare (HKSE stock code: 2161), posted growth of 25.0% in sales revenue to HK\$236.8 million during the Reporting Period, with profit attributable to equity shareholders up by 116.0% to HK\$21.6 million, primarily attributed to the easing of social distancing measures in Hong Kong which buttressed retail spending sentiment and a gradual recovery of the overall sales, alongside the sound progress on the cross-border e-commerce platform and the subsidies from the HKSAR Government pertinent to the Employment Support Scheme.

The Group continued to maintain a healthy financial position as supported by its strong cash flows, with adjusted EBITDA of HK\$290.5 million for the Reporting Period, and the net gearing ratio decreased significantly from 29.2% as at 31 March 2022 to 20.8% as at the end of the Reporting Period.

OPERATION PERFORMANCE

Resilient Performance in Generics

During the first half, the Generic Drugs business of the Group continued to demonstrate resilience and delivered growth of 3.5% to HK\$581.9 million in sales revenue amid the challenges of COVID-19. This was driven by the stable growth in both the Private and Public Sectors. This overall growth benefitted from the easing of social distancing measures which facilitated the resumption of medical consultation visits in both public and private sectors in Hong Kong, thus boosting the demand for essential drugs as well as specialty medicines for chronic diseases.

Robust Portfolio to Meet Public Demand

As a leading manufacturer of generics in Hong Kong, the Group carries a broad and targeted portfolio of essential and specialty drugs to serve the needs of medical professionals and patients.

Responding to the fifth COVID-19 outbreak in the first quarter of the year, the Group geared up its production and supply of symptomatic relief medications to meet the surged patient needs, which was reflected by the growth of 48.5% in the Group's range of cold and flu preparations in the Public Sector.



Exhibiting a robust trend, medications for the aging population and chronic disease patients continued to present a strong demand. Among the Group's cardiovascular offerings, the lipid-lowering product class recorded a notable growth of 42.6% with increased consumption of new products such as Rosuvastatin and Atorvastatin Tablets. In addition, the anti-anginal product class recorded sales growth by 30.0% during the Reporting Period due to the newly awarded public tender for Trimetazidine Modified Released Tablets.

Furthermore, therapeutic sectors of anti-depressants and gout preparations also exhibited positive growth of 13.6% and 13.7% respectively. During the Reporting Period, the Group also secured certain first-time public tenders, which included Enticavir Tablet, Ramipril Tablet, Solifenacin Tablet and Mycophenolate Infusion.

The Group's Angiotensin II receptor antagonists and lipid-lowering products in the cardiovascular product class also recorded a strong growth of 66.4% and 60.0% respectively in the Private Sector during the Reporting Period. Non-steroidal anti-inflammatory drug class, on the other hand, recorded a positive growth of 31.4%, mainly attributable to increased sales of new products such as Celecoxib Capsules and Etoricoxib Tablets.

New Product Introduction

As a continued effort to meet the medical and patient needs with quality generics, the Group launched a number of new products including Trimetazidine Modified Release Tablet, Olmesartan Tablets, Bicalutamide Tablet, Ofloxacin Ear Drop and Idarubicin Injection during the Reporting Period.

Additionally, the Group has secured registration approval for 21 new products for upcoming market launches.

R&D Pipeline on Track

Embedding a prudent and disciplined approach to R&D, we have made steady progress with our pipeline during the Reporting Period. A total of 16 products have completed the development process and have been submitted to the Department of Health of Hong Kong for registration approval.

As of 30 September 2022, there were 177 products in our pipeline, 59 items have been approved for registration, 14 of them have been submitted for registration, 48 items have finished the development stage and were under stability preparation or stability study, plus 27 items were currently under formulation or pre-formulation research development stage.

Increased Production to Meet Revived Demand

With the relaxation of social distancing measures by the HKSAR Government which facilitated consultation visits by patients to public and private hospitals and clinics, the Group benefited from the boosted demand for essential and specialty medicines during the Reporting Period.

The Group's overall output of liquid dosage forms increased to more than 969 thousand liters, growing by 93.2% over the same period of last year. This substantial increase was mainly due to the heightened demand for cold & flu medications with the easing of social distancing measures and an increase in retail off-take.

The production output of eye drop products also recorded a robust growth of 50.1% to more than 27 thousand liters, driven by the continuous optimisation of the production capacity of the sterile preparation line and the introduction of new products from the Group's R&D pipeline.

With the operation of the new oral solid production line in place, the total manufacturing output of our solid preparations reached more than 1.754 billion capsules and tablets during the Reporting Period, offering a 14.7% increase over the same period of last year.

In addition, the semi-solid dosage output of the Group totaled around 175.6 tonnes, with an increase of 13.0% from the same period of last year.

To cater to the increasing market demand, the Group has been undertaking various plant expansion projects and equipment upgrade plans aimed at the continuous enhancement of the Group's production capacity and capability in the coming years.



BUSINESS DEVELOPMENT

In-license of Specialised Products

The Group continued to supplement its R&D pipeline and broaden its portfolio of difficult-to-make specialty drugs through in-licensing collaborations with reputable manufacturers worldwide.

During the Reporting Period, we have signed exclusive in-license agreements for an additional 27 targeted specialty drugs covering classes of the central nervous system (CNS), immunomodulatory, chemotherapy, and anti-cancer drugs, as well as medications used as an immunosuppressant for organ transplants and as a treatment for renal cell cancer and other tumors. Among them, 15 are injectable items, 6 are oral dosages, and 6 are classified as topical medication.



We are also actively exploring collaboration with a reputable partner for a number of new chemical entity (NCE) drugs to be distributed and marketed in Hong Kong and Macau.

Making Inroads into The Greater Bay Area ("GBA")

The Group's collaboration with the University of Hong Kong-Shenzhen Hospital in introducing its oral solution treatment for acute promyelocytic leukemia, Arsenic Trioxide Oral Solution, into designated hospitals in the GBA has been given approval by Guangdong Province Medical Product Administration. This marked the first Hong Kong-made specialty medicine being approved under the "Interim Regulations on the Administration for Importing Urgently Needed Clinical Drugs and Medical Devices from Hong Kong and Macao to the Guangdong-Hong Kong-Macao Greater Bay Area of Guangdong Province".

Under the scheme, designated and approved healthcare institutions operating in the GBA are allowed to use Hong Kong-registered drugs and medical devices used in Hong Kong public hospitals for urgent clinical use. This is a facilitation measure for Hong Kong residents working and living in the GBA seeking healthcare services and will help attract local and multinational pharmaceutical, biomedical, and health technology companies to expand their businesses and benefit patients in the GBA.

The Group is the sole manufacturer of the innovative drug Arsenic Trioxide Oral Solution (Arsenol) in Hong Kong. In addition to its introduction into the GBA, the Group has expanded its market to other Southeast Asia regions, such as Macau, Singapore and Malaysia, offering a clinically established life-changing medication to patients who suffer from acute promyelocytic leukemia.

SUSTAINABILITY

We believe that the success and sustainable growth of the Group are closely tied to that of the communities we serve. It goes beyond simply business but also the societal benefits that it brings along.

As a company that attaches long-term commitment to environmental, social and governance ("ESG") duties, we have formulated and progressed on our ESG strategy, "Jacobson 5 to Thrive", which underpins five priority areas, namely, product responsibility, commitment to employees, environmental stewardship, societal engagement and corporate governance duty. Each core component is a reflection of how we respond to the 17 Sustainable Development Goals (SDGs), which were created by the United Nations in 2015.



In response to our ESG strategy, we have set key performance indicators (KPIs) and will continue to evaluate additional goals to track our progress on priority issues and programs, including greenhouse gas emissions, water and electricity usage, as well as utilisation of renewable energy.

As a pharmaceutical company that is deep-rooted in Hong Kong, we will continue to expand our role as an integral part of Hong Kong's healthcare system. We will embed our sustainability values as a core part of our strategy to develop a more resilient and successful business now and in the future.

OUTLOOK

As much as the waves of the epidemic have impacted life and the economy in Hong Kong, we have seen gratifying signs of the stabilisation of the epidemic situation with an increasing vaccination level among the public. The expectation of the gradual easing of restrictions, alongside the HKSAR Government's economic boosting measures including successive payouts of consumption vouchers and relaunch of the employer support scheme, we believe, will help lift business and consumer sentiments. We have reasons to be cautiously positive to foresee the continual improvements in Hong Kong's economy buttressed by its strong fundamentals.

Albeit the COVID-19 impact has been on business performance, we believe it will be transient. We remain positive about the future outlook for the healthcare industry and the growth impetus of the generic drugs market. Growth factors, such as increased government healthcare investment and generics substitution policy, aging population, the prevalence of chronic diseases and increased demand for better healthcare, will continue to be key growth drivers for both essential and specialty medicines.

To capitalise on the prospect, we will stay focused on advancing our growth strategies and well-positioning ourselves as an eminent provider of essential medicines and specialty drugs in Hong Kong and Asia. To further strengthen our market position, our strategic priorities will center on maximising the commercial opportunities of our portfolio of offerings, strengthening our product pipelines through in-licensing and in-house R&D, building a sound commercial platform on marketing and regulatory affairs management to forge collaboration with regional and international partners, and expanding our presence in strategic markets in Asia.

Looking forward, our business strategy remains robust and resilient. We will continue to aim to deliver solid performance, achieve sustainable growth and increase shareholder return while maintaining a healthy financial position.

REMUNERATION POLICY

As of 30 September 2022, the Group has a total of 1,801 employees (compared to 1,723 employees as of 30 September 2021). For the Reporting Period, the total staff cost of the Group was HK\$216.4 million, compared to HK\$202.9 million for the six months ended 30 September 2021 with the corresponding enhancement in staff deployment supporting the operation and development of the Group. All of the Group's employees have entered into standard employment contracts with the Group. Remuneration packages for the Group's employees in general comprise one or more of the following elements: basic salary, sales-related incentives, productivity-related incentives and work performance bonuses. The Group sets out performance attributes for its employees based on their positions and job functions. It periodically reviews their work performance against the Group's strategic objectives and targets. The results of such reviews are taken into consideration when assessing salary adjustments, bonus awards, promotions, staff development plans and training needs. The Group provides various benefit schemes to its employees including annual leave entitlement, mandatory provident fund, group medical insurance and life insurance. A workers union has been established for the Group's employees in China according to local labour laws. As of 30 September 2022, the Group has not experienced any strikes or any labour disputes with its employees which would likely have had a material impact on its business.

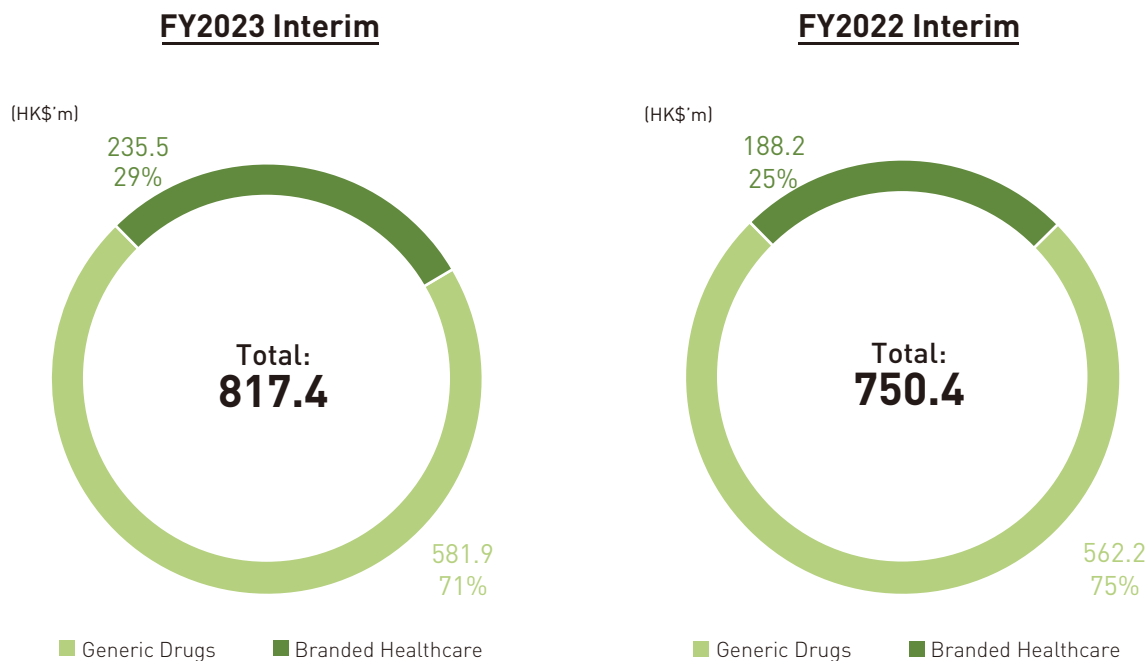
The Group places a high value on recruiting, developing and retaining its employees. It maintains high recruitment standards and provides competitive compensation and benefit packages to attract and retain talents. The Group also emphasises on training and developing employees. In addition to different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



FINANCIAL REVIEW

REVENUE

Revenue by Operating Segments

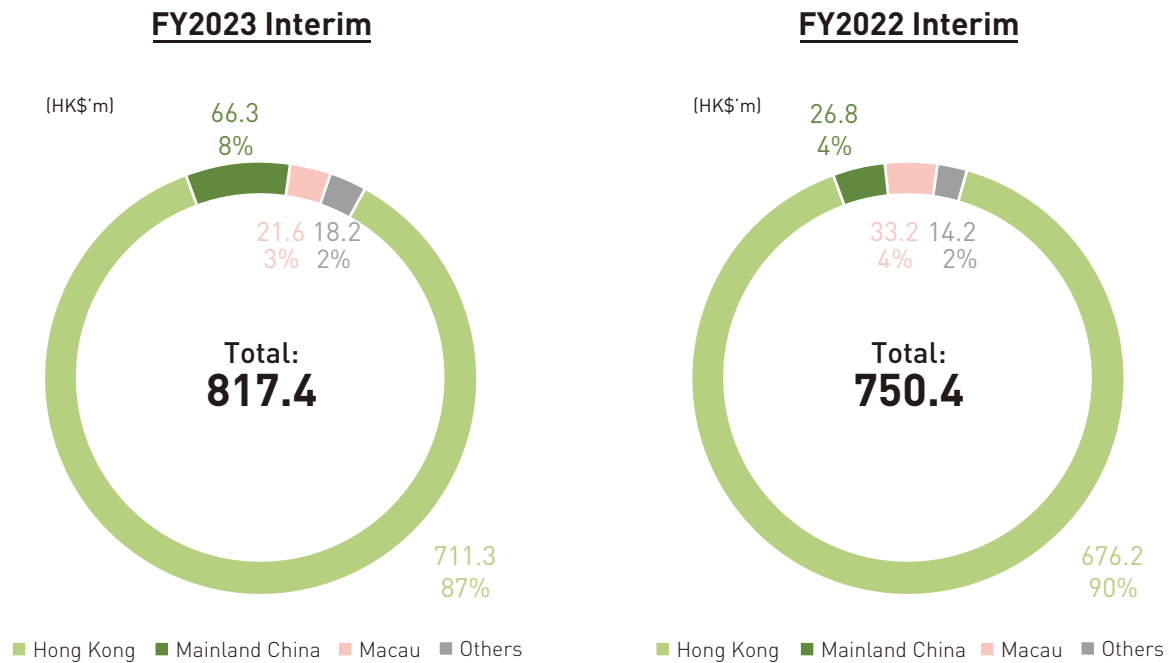


The increase in revenue of HK\$67.0 million or 8.9% compared to FY2022 Interim was contributed by the increase in revenue of HK\$19.7 million or 3.5% in the generic drugs segment and HK\$47.3 million or 25.1% in the branded healthcare segment. The revenue split of the two segments was at the ratio of 71% and 29%.

In the generic drugs segment, with the continuous relief of pandemic-control measures and gradual recovery of social activities, medical consultation visits in the Public and Private Sectors began to resume, thus boosting the demand for essential drugs as well as specialty medicines. In addition, newly awarded public tenders, alongside increasing demand for medications driven by the ageing population and prevalence of chronic diseases also contributed to the stable sales growth of the Public Sector.

In the branded healthcare segment, the easing of social distancing policies in Hong Kong, which buttressed retail spending sentiment, resulted in a substantial increase in revenue during the Reporting Period. Some of our notable branded products, such as Po Chai Pills, AIM Atropine Eye Drops and Oncotype DX Breast Cancer Recurrence Score Test, continued to contribute a stable growth during the Reporting Period. In addition, we have been making sound progress on our cross-border e-commerce platform, which provides a fast expanding avenue for reaching out to those target prospects in the Mainland China market.

Revenue by Geographic Locations

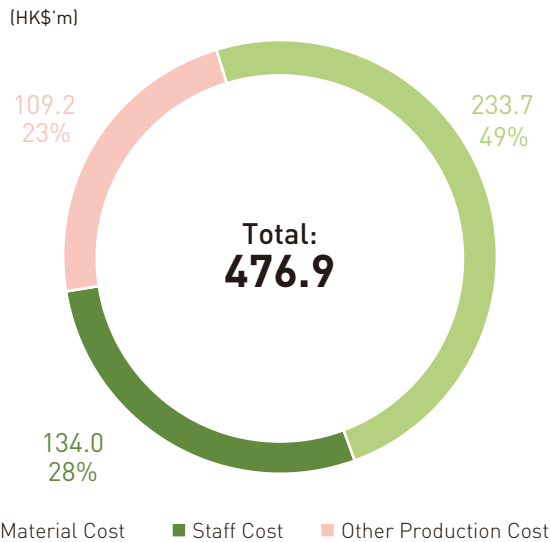


Hong Kong continued to be the major revenue stream, representing 87% of the total revenue with an increase of HK\$35.1 million compared to FY2022 Interim buttressed by stable growth of the generic drugs business in both Private and Public Sectors during the Reporting Period alongside the stabilisation of COVID-19 pandemic in Hong Kong. The revenue in Mainland China increased by HK\$39.5 million, mainly due to the significant increase in sales via various cross-border e-commerce platforms during the Reporting Period. The revenue decrease in Macau by HK\$11.6 million was mainly resulted from the travel restriction measures in Macau during the Reporting Period. The revenue from other overseas markets increased slightly by HK\$4.0 million which was mainly contributed by the new sales in the USA during the Reporting Period.

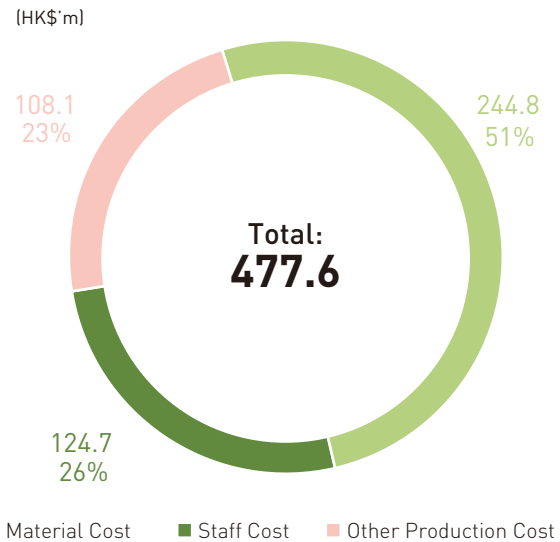


COST OF SALES

FY2023 Interim



FY2022 Interim

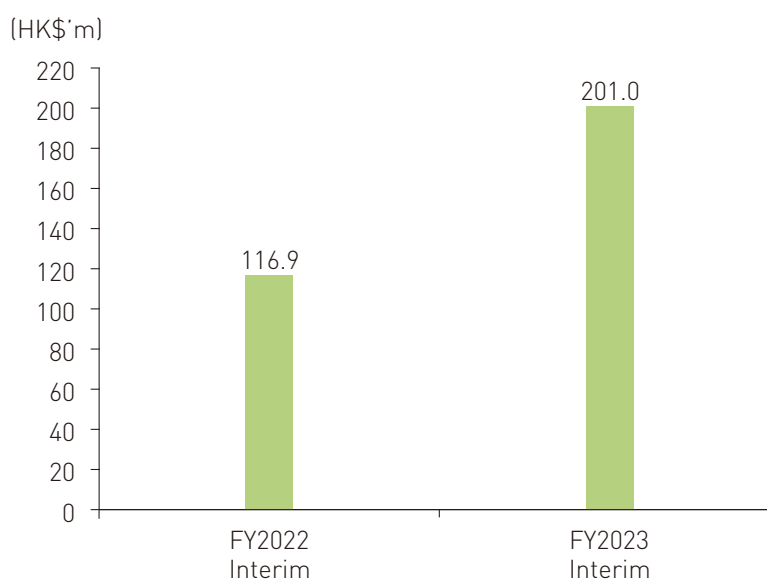


The slight decrease in total cost of sales of HK\$0.7 million or 0.1% was mainly driven by the decrease in material cost during the Reporting Period. Material cost continued to be the major component contributing approximately 49% of the total cost of sales, while staff cost and other production cost contributed to 28% and 23% respectively.

The decrease in material cost of HK\$11.1 million or 4.5% was attributable to the change in sales mix as well as continual optimisation of our manufacturing process and product formulation resulting in the decrease in indirect materials and other manufacturing overheads during the Reporting Period.

The increase in staff cost of HK\$9.3 million or 7.5% reflected the increase in number of production headcount during the Reporting Period primarily due to the increase in production volume to support the sales growth while the increase in other production cost of HK\$1.1 million or 1.0% was generally in line with the overall sales trend of the Group.

PROFIT FROM OPERATIONS



The profit from operations increased significantly by HK\$84.1 million or 71.9% to HK\$201.0 million. The enhancement in the profit from operations was principally contributed by the increase in gross profit of HK\$67.6 million as a result of the uplifted sales demand owing to the stabilisation of the COVID-19 pandemic in Hong Kong, together with an improvement in sale prices, product mix and operating leverage. The increase in other net income of HK\$22.4 million also contributed to the increase in the profit from operations, which was mainly due to the increase in the net distribution and logistics service income and the one-off Employment Support Scheme subsidy from the Hong Kong Government recognised during the Reporting Period.

FINANCE COSTS

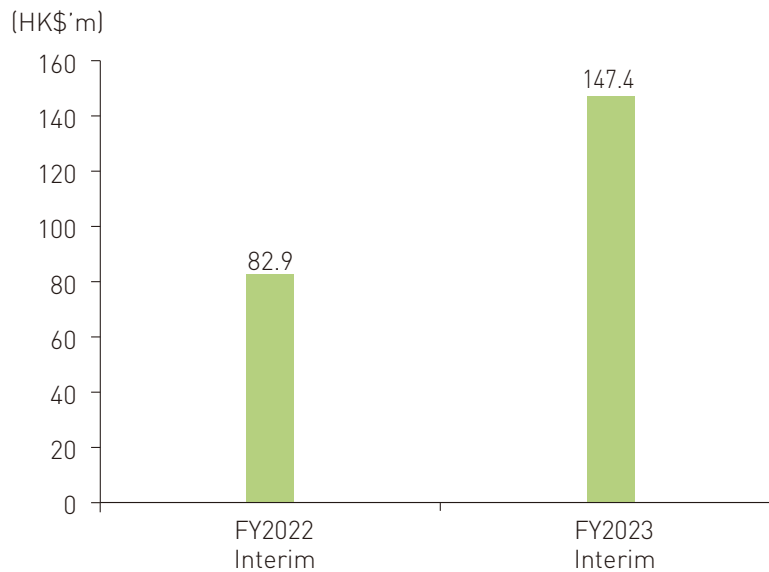
The increase in finance costs was mainly attributable to the higher bank loan balance as a result of the syndicated loan obtained, as well as the raising interest rates, during the Reporting Period.

INCOME TAX

The increase in income tax primarily reflected the higher profit from operations during the Reporting Period compared to FY2022 Interim after excluding the non-taxable one-off Employment Support Scheme subsidy from the Hong Kong Government recognised during the Reporting Period.



PROFIT FOR THE PERIOD



The profit for the period increased significantly by HK\$64.5 million or 77.8% to HK\$147.4 million, which reflected the increase in profit from operations during the Reporting Period, offset partially by the additional finance costs and income tax.

ASSETS

Property, plant and equipment

The decrease in property, plant and equipment principally reflected the depreciation of HK\$70.9 million, which was offset partially by the additions of HK\$33.7 million mainly arose from the acquisitions of properties, plant and machinery used by our pharmaceutical manufacturing plants.

Intangible assets

The decrease in intangible assets was primarily attributable to the amortisation of HK\$21.8 million.

Inventories

The increase in inventories by HK\$62.4 million or 19.8% was mainly resulted from the resumption of the production level as a result of the stabilisation of COVID-19 pandemic in Hong Kong during the Reporting Period.

Cash and cash equivalents

As at 30 September 2022, approximately 97.2% of cash and cash equivalents were denominated in Hong Kong dollars (as at 31 March 2022: 93.5%), while the remaining balances were denominated in Euros, United States dollars, Renminbi, Taiwan dollars, Singapore dollars and Macau pataca.

LIABILITIES

Bank loans

The increase in bank loans as at 30 September 2022 was mainly attributable to the syndicated loan obtained during the Reporting Period for refinancing the existing bank loans which bear variable interest. As at 30 September 2022, 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").

The table below sets forth the status of utilisation of the IPO Proceeds as at 31 March 2022 and 30 September 2022 respectively, and the expected timeline of the use of the unutilised IPO Proceeds:

Use of IPO Proceeds	Proposed application* HK\$'000	As at 31 March 2022		As at 30 September 2022		Expected timeline for utilising the remaining IPO Proceeds
		Actual utilised amount HK\$'000	Unutilised amount HK\$'000	Actual utilised amount HK\$'000	Unutilised amount HK\$'000	
Acquisitions – Expansion of businesses in generic drugs and proprietary medicines	139,108	139,108	-	139,108	-	N/A
Acquisitions – Enhancement of distribution network	104,331	104,331	-	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	98,449	78,001	20,448	80,900	17,549	On or before 31 March 2025
Establishment of a new joint R&D centre with HKIB	5,882	5,882	-	5,882	-	N/A
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	675,092	20,448	677,991	17,549	

* The Company has published an announcement on 9 March 2022 relating to the change of allocation of the unutilised IPO Proceeds and the expected timeline of full utilisation by (a) reallocating approximately HK\$4.1 million which was originally allocated for establishment of a new joint R&D centre with HKIB to expansion of bioequivalence clinical studies; and (b) extending the expected timeline of the use of the unutilised IPO Proceeds from 31 March 2023 to 31 March 2025.

The Group intends to apply the remaining IPO Proceeds according to the revised plans disclosed in the announcement published on 9 March 2022 as shown above.



LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

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

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

CHARGE ON GROUP ASSETS

The carrying value of assets pledged against bank loans decreased from HK\$495.7 million as at 31 March 2022 to HK\$75.2 million as at 30 September 2022 which was mainly attributable to the release of pledged assets for bank loans refinanced by the syndicated loan of HK\$1.4 billion 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 29.2% as of 31 March 2022 to 20.8% as of 30 September 2022, mainly attributable to net cash generated from operating activities during the Reporting Period of HK\$308.0 million.

FINANCIAL RISK ANALYSIS

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

CONTINGENT LIABILITIES

As of 30 September 2022, the Group did not have any significant contingent liabilities.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period. The Group had no individually significant investments held during the Reporting Period.

NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

No significant event has taken place subsequent to 30 September 2022 and up to the date of this interim 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 R&D 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 manufacturing plant to ensure they are in compliance with respective specifications.

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is primarily engaged in the development, production, marketing and sale of 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.

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.



OTHER INFORMATION

CORPORATE GOVERNANCE HIGHLIGHTS

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

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

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

AMENDMENTS TO MEMORANDUM AND ARTICLES OF ASSOCIATION

At the annual general meeting of the Company held on 23 September 2022, the shareholders of the Company passed a special resolution in relation to the proposed amendments to the amended and restated memorandum and articles of association of the Company and the adoption of the second amended and restated memorandum and articles of association of the Company. For further details, please refer to the circular of Company dated 28 July 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**") which comprises three independent non-executive Directors, namely Mr. Young Chun Man, Kenneth (Chairman), Dr. Lam Kwing Tong, Alan and Professor Lam Sing Kwong, Simon. The primary duties of the Audit Committee include reviewing and supervising the Group's financial reporting process, internal control and risk management systems, preparing financial statements and internal control procedures. It also acts as an important link between the Board and the external auditor in matters within the scope of the group audit.

DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

In accordance with the requirements under Rules 13.18 and 13.21 of the Listing Rules, the Directors disclose below details of loan facilities, which existed up to the date of this interim report and included conditions relating to specific performance of the controlling shareholder of the Company:

As disclosed in the Company's announcement dated 6 April 2022, the Company (as guarantor) has on 6 April 2022 entered into a facility agreement (the "**Facility Agreement**") with an indirect wholly-owned subsidiary of the Company (the "**Borrower**") as borrower, certain of the Company's indirect wholly-owned subsidiaries as other guarantors, the Hongkong and Shanghai Banking Corporation Limited ("**HSBC**") as mandated lead arranger and bookrunner, Chong Hing Bank Limited, Bank of China (Hong Kong) Limited, Bank of Communications (Hong Kong) Limited and China Construction Bank (Asia) Corporation Limited as mandated lead arrangers and various financial institutions as lead arrangers, pursuant to which a syndicate of banks as lenders have agreed to provide a syndicated loan to the Borrower. The facility amount is HK\$1,400,000,000 and the final maturity date of the syndicated loan shall be 36 months after the date of the Facility Agreement.

Pursuant to the Facility Agreement, throughout the life of the syndicated loan, it would be a "Change of Control" if Mr. Sum: (i) does not or ceases to (a) control the management or business of the Restricted Group (as defined in the Facility Agreement and the Company's announcement dated 6 April 2022); or (b) beneficially own, directly or indirectly, at least 51% of the issued share capital of, carrying at least 51% of the voting rights in, the Company; or (ii) is not, or ceases to be, the chief executive officer of the Company or an executive Director.

In the event that a "Change of Control" occurs: (a) no lender shall be obliged to fund any utilisation of the syndicated loan; (b) any lender which does not require its commitment amount to be cancelled and its participation in all outstanding loans to be prepaid as a result of such "Change of Control" (the "**Continuing Lender(s)**") shall notify HSBC (the "**Facility Agent**") within 12 business days after the date of such "Change of Control"; (c) on the date falling 12 business days after the date of such "Change of Control", the Facility Agent shall cancel the Available Commitments (as defined in the Facility Agreement and the Company's announcement dated 6 April 2022) of the lenders (other than the Available Commitments of each Continuing Lender) immediately; and (d) the Borrower shall, within five business days after the expiry of the period referred to in paragraph (b) above, prepay all outstanding loans (other than the participation of each Continuing Lender in such loans), together with accrued interest, and all other amounts accrued or outstanding under the Facility Agreement and other finance documents.

Details of the syndicated loan were set out in the announcement of the Company dated 6 April 2022.

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.

REVIEW OF INTERIM RESULTS

The interim results for the six months ended 30 September 2022 are unaudited, but have been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants, whose review report is included on page 24.

The Audit Committee, together with management of the Company, has also reviewed the interim results for the six months ended 30 September 2022.

INTERIM DIVIDEND

The Board declared the payment of an interim dividend per ordinary share for the six months ended 30 September 2022 of HK2.8 cents for the total amount of approximately HK\$54.2 million (six months ended 30 September 2021: HK1.2 cents). The interim dividend will be paid on 29 December 2022 (Thursday) to shareholders whose names appear on the register of members of the Company on 13 December 2022 (Tuesday), the record date. The details of interim dividend of the Group are set out in note 9 to the unaudited interim financial report.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of shareholders of the Company to receive the interim dividend, the register of members of the Company will be closed from 12 December 2022 (Monday) to 13 December 2022 (Tuesday), both days inclusive, during which period no transfer of shares of the Company will be registered. All transfer documents, accompanied by the relevant share certificates, shall be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on 9 December 2022 (Friday).

CHANGE OF INFORMATION ON DIRECTORS

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

- (a) Professor Wong Chi Kei, Ian, a non-executive Director, whose director's fee was revised from HK\$220,000 to HK\$230,000 per annum with effect from 30 August 2022.
- (b) Dr. Lam Kwing Tong, Alan, an independent non-executive Director, whose director's fee was revised from HK\$220,000 to HK\$230,000 per annum with effect from 30 August 2022.
- (c) Mr. Young Chun Man, Kenneth, an independent non-executive Director, whose director's fee was revised from HK\$220,000 to HK\$230,000 per annum with effect from 30 August 2022.
- (d) Professor Lam Sing Kwong, Simon, an independent non-executive Director, whose director's fee was revised from HK\$220,000 to HK\$230,000 per annum with effect from 30 August 2022.



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

As at 30 September 2022, 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	1,171,988,000	60.59%	Long position
Mr. Yim Chun Leung	Beneficial owner	31,420,000	1.62%	Long position
Ms. Pun Yue Wai	Beneficial owner	3,910,000	0.20%	Long position
Dr. Lam Kwing Tong, Alan	Interests of spouse	600,000	0.03%	Long position

Note:

- (1) Mr. Sum is the registered and beneficial owner of 4,700,000 shares in the Company. Queenshill, a company wholly-owned by Mr. Sum, also held 308,404,000 shares in the Company. By virtue of the SFO, Mr. Sum is deemed to be interested in the 308,404,000 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. The trustee of The Queenshill Trust, a discretionary trust established by Mr. Sum (as the settlor) with Mr. Sum and his family members as discretionary beneficiaries, through its wholly-owned company under the trust, holds 8,200,000 shares in the Company. By virtue of the SFO, Mr. Sum is deemed to be interested in the 8,200,000 shares held by the wholly-owned company under The Queenshill Trust.

(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	635,478,375	71.10%	Long position
Mr. Yim Chun Leung	Beneficial owner	3,727,500	0.42%	Long position
Ms. Pun Yue Wai	Beneficial owner	276,250	0.03%	Long position
Dr. Lam Kwing Tong, Alan	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 493,106,375 shares in JBM Healthcare. Lincoln's Hill Development Limited ("Lincoln's Hill") (a fellow subsidiary of Kingshill under Trust Co) 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%, 15.94%, 0.42% and 0.24% by Kingshill, Queenshill, The Queenshill Trust 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 30 September 2022, 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 30 September 2022, 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	308,404,000	15.94%	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⁾⁽⁴⁾	Beneficial owner Interest in controlled corporation Settlor of trusts Beneficiary of trusts	1,171,988,000	60.59%	Long position
Yunnan Baiyao Group ⁽⁵⁾	Beneficial owner	200,000,000	10.34%	Long position
Longjin Investments Limited ⁽⁶⁾	Beneficial owner	157,050,000	8.11%	Long position
Mr. Lau Wing Hung ⁽⁶⁾	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 308,404,000 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 4,700,000 shares in the Company.



- (4) The trustee of The Queenshill Trust, a discretionary trust established by Mr. Sum (as the settlor) with Mr. Sum and his family members as discretionary beneficiaries, through its wholly-owned company under the trust, holds 8,200,000 shares in the Company. By virtue of the SFO, Mr. Sum is deemed to be interested in the 8,200,000 shares held by the wholly-owned company under The Queenshill Trust.
- (5) Pursuant to the subscription agreement dated 14 August 2018 entered into by Yunnan Baiyao Holdings Company Limited* (雲南白藥控股有限公司) (“**Yunnan Baiyao**”) and the Company in relation to the subscription of 200,000,000 new ordinary shares at the subscription price of HK\$2.06 per share, 200,000,000 new ordinary shares were issued to Yunnan Baiyao on 3 September 2018. For details of the subscription and issuance of 200,000,000 new ordinary shares, please refer to the announcements of the Company dated 14 August 2018 and 3 September 2018 respectively. Yunnan Baiyao was merged into and absorbed by Yunnan Baiyao Group in accordance with the applicable laws of the PRC and all assets and liabilities of Yunnan Baiyao was assumed by Yunnan Baiyao Group with effect from July 2019. For details, please refer to the announcement of the Company dated 8 May 2019.
- (6) Longjin Investments Limited (“**Longjin**”) is owned as to 75% by Mr. Lau Wing Hung (“**Mr. Lau**”). By virtue of SFO, Mr. Lau is deemed to be interested in the 157,050,000 shares held by Longjin.

Save as disclosed above, as at 30 September 2022, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

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

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

The participants of the Share Option Scheme include any directors 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 30 September 2022, the maximum number of ordinary shares of the Company which may be issued upon exercise of all share options that may be granted under the Share Option Scheme (excluding options that were granted but outstanding, cancelled or lapsed in accordance with the Share Option Scheme) was 138,000,000 shares, representing approximately 7.13% of the issued shares of the Company as at the date of this interim report.

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

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

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

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

Since the effective date of the Share Option Scheme and up to 30 September 2022, 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.

During the Reporting Period, no share option was granted, exercised, lapsed, forfeited or cancelled under the Share Option Scheme. As at 30 September 2022 and 1 April 2022, there were no share options outstanding under the Share Option Scheme.

* For identification purpose only

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

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

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

Up to 30 September 2022, the Trustee has purchased 31,300,000 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 10,000,000 awarded shares were granted to certain selected participants under the Share Award Scheme. Details of which are as follows:

Grantees	Date of grant	Number of awarded shares				Balance as at 30 September 2022	Vesting date
		Balance as at 1 April 2022	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed/Cancelled during the Reporting Period		
Directors							
Mr. Sum	11 April 2022	-	2,700,000	(2,700,000)	-	-	31 May 2022
Mr. Yim Chun Leung	11 April 2022	-	1,600,000	(1,600,000)	-	-	31 May 2022
Ms. Pun Yue Wai	11 April 2022	-	1,700,000	(1,700,000)	-	-	31 May 2022
Employees							
	11 April 2022	-	4,000,000	(4,000,000)	-	-	31 May 2022
Total		-	10,000,000	(10,000,000)	-	-	

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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



REVIEW REPORT TO THE BOARD OF DIRECTORS

Review report to the board of directors

Jacobson Pharma Corporation Limited

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 25 to 42 which comprises the consolidated statement of financial position of Jacobson Pharma Corporation Limited (the "Company") as of 30 September 2022 and the related consolidated statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 September 2022 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

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

25 November 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022 – unaudited

	Note	Six months ended 30 September	
		2022 HK\$'000	2021 HK\$'000
Revenue	4	817,353	750,413
Cost of sales		(476,924)	(477,571)
Gross profit		340,429	272,842
Other net income	5	48,955	26,598
Selling and distribution expenses		(92,082)	(88,591)
Administrative and other operating expenses		(96,262)	(93,978)
Profit from operations		201,040	116,871
Finance costs	6(A)	(22,254)	(12,865)
Share of losses of associates		(1,499)	(1,815)
Share of losses of joint ventures		(519)	(285)
Profit before taxation	6	176,768	101,906
Income tax	7	(29,400)	(19,047)
Profit for the period		147,368	82,859
Other comprehensive income for the period			
<i>Item that will not be reclassified subsequently to profit or loss, net of nil tax:</i>			
Revaluation of financial assets at fair value through other comprehensive income		(29,222)	(7,334)
<i>Item that may be reclassified subsequently to profit or loss, net of nil tax:</i>			
Exchange differences on translation of financial statements of operations outside Hong Kong		(3,998)	(51)
Other comprehensive income for the period		(33,220)	(7,385)
Total comprehensive income for the period		114,148	75,474
Profit attributable to:			
Equity shareholders of the Company		136,192	80,039
Non-controlling interests		11,176	2,820
Total profit for the period		147,368	82,859
Total comprehensive income attributable to:			
Equity shareholders of the Company		102,972	72,654
Non-controlling interests		11,176	2,820
Total comprehensive income for the period		114,148	75,474
		HK cents	HK cents
Earnings per share	8		
Basic and diluted		7.10	4.18

The notes on pages 29 to 42 form part of this interim financial report. Details of dividends payable to shareholders of the Company are set out in note 9.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022 – unaudited

	Note	As at 30 September 2022 HK\$'000	As at 31 March 2022 HK\$'000
Non-current assets			
Investment properties		230,472	230,472
Property, plant and equipment	10	1,463,920	1,503,773
Intangible assets		1,281,775	1,303,177
Interests in associates		52,430	53,929
Interests in joint ventures		3,815	4,334
Other non-current assets		62,762	58,688
Other financial assets	12	383,544	412,766
Deferred tax assets		10,019	10,156
		3,488,737	3,577,295
Current assets			
Inventories		376,926	314,557
Trade and other receivables	11	326,333	380,546
Current tax recoverable		3,548	4,489
Cash and cash equivalents	13	860,409	478,653
		1,567,216	1,178,245
Current liabilities			
Trade and other payables	14	243,465	159,411
Bank loans		60,000	612,178
Lease liabilities		38,285	33,970
Current tax payable		43,048	20,825
		384,798	826,384
Net current assets		1,182,418	351,861
Total assets less current liabilities		4,671,155	3,929,156
Non-current liabilities			
Bank loans		1,424,660	729,472
Lease liabilities		34,375	34,319
Deferred tax liabilities		207,935	207,400
		1,666,970	971,191
NET ASSETS		3,004,185	2,957,965
CAPITAL AND RESERVES			
Share capital	15	19,029	19,157
Reserves		2,508,609	2,472,159
Total equity attributable to equity shareholders of the Company		2,527,638	2,491,316
Non-controlling interests		476,547	466,649
TOTAL EQUITY		3,004,185	2,957,965

The notes on pages 29 to 42 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022 – unaudited

Attributable to equity shareholders of the Company										
Note	Shares held for share			Capital reserve	Exchange reserve	Fair value reserve (non-recycling)	Retained earnings	Total	Non-controlling interests	Total equity
	Share capital	Share premium	award schemes							
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2021	19,157	999,895	(24,576)	132,837	6,585	25,754	1,230,196	2,389,848	470,261	2,860,109
Profit for the period	-	-	-	-	-	-	80,039	80,039	2,820	82,859
Other comprehensive income	-	-	-	-	(51)	(7,334)	-	(7,385)	-	(7,385)
Total comprehensive income for the period	-	-	-	-	(51)	(7,334)	80,039	72,654	2,820	75,474
Dividend declared and payable	9(B)	-	-	-	-	-	(28,735)	(28,735)	-	(28,735)
Dividends declared by subsidiaries attributable to non-controlling interests		-	-	-	-	-	-	-	(398)	(398)
Partial disposal of a subsidiary without loss of control		-	-	-	-	-	-	-	3	3
Realised gain on disposal of equity investments designated at FVOCI (non-recycling)		-	-	-	-	(24,820)	24,820	-	-	-
At 30 September 2021	19,157	999,895	(24,576)	132,837	6,534	(6,400)	1,306,320	2,433,767	472,686	2,906,453
At 1 April 2022	19,157	999,895	(24,576)	134,104	6,960	(25,271)	1,381,047	2,491,316	466,649	2,957,965
Profit for the period	-	-	-	-	-	-	136,192	136,192	11,176	147,368
Other comprehensive income	-	-	-	-	(3,998)	(29,222)	-	(33,220)	-	(33,220)
Total comprehensive income for the period	-	-	-	-	(3,998)	(29,222)	136,192	102,972	11,176	114,148
Dividend declared and payable	9(B)	-	-	-	-	-	(50,998)	(50,998)	-	(50,998)
Employee share award scheme-value of employee services	15(B)(i)	-	-	6,500	-	-	-	6,500	-	6,500
Shares held for Share Award Scheme	15(B)(i)	(228)	-	(19,258)	-	-	-	(19,486)	-	(19,486)
Shares vested under the Share Award Scheme	15(B)(i)	100	-	13,253	(6,500)	-	(6,853)	-	-	-
Shares held for JBM Healthcare share award scheme	15(B)(iii)	-	-	(2,998)	-	-	-	(2,998)	-	(2,998)
Acquisition of non-controlling interests		-	-	332	-	-	-	332	(1,278)	(946)
At 30 September 2022	19,029	999,895	(33,579)	134,436	2,962	(54,493)	1,459,388	2,527,638	476,547	3,004,185

The notes on pages 29 to 42 form part of this interim financial report.



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2022 – unaudited

	Note	Six months ended 30 September	
		2022 HK\$'000	2021 HK\$'000
Operating activities			
Cash generated from operations		313,802	318,441
Income tax paid		(5,815)	(6,940)
Net cash generated from operating activities		307,987	311,501
Investing activities			
Payment for purchase of property, plant and equipment, intangible assets and other assets		(13,873)	(38,253)
Proceeds from disposals of property, plant and equipment		20	–
Proceeds from sale of other financial assets		–	72,988
Interest received		3,294	881
Payment for acquisition of non-controlling interests		(908)	–
Payment for other financial assets		–	(17,400)
Payment for investment in joint ventures		–	(511)
Net cash (used in)/generated from investing activities		(11,467)	17,705
Financing activities			
Capital element of lease rentals paid		(20,489)	(23,166)
Interest element of lease rentals paid		(800)	(770)
Proceeds from bank loans		1,400,000	450,000
Repayment of bank loans		(1,241,650)	(685,413)
Dividends paid by subsidiaries to non-controlling interests		–	(398)
Payments for shares held for Share Award Scheme	15(B)(i)	(19,486)	–
Payments for shares held for JBM Healthcare share award scheme	15(B)(iii)	(3,036)	–
Other borrowing costs paid		(27,938)	(12,096)
Net cash generated from/(used in) financing activities		86,601	(271,843)
Net increase in cash and cash equivalents		383,121	57,363
Cash and cash equivalents at 1 April		478,653	480,350
Effect of foreign exchange rate changes		(1,365)	(643)
Cash and cash equivalents at 30 September	13	860,409	537,070

The notes on pages 29 to 42 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Corporate Information

Jacobson Pharma Corporation Limited is an exempted company with limited liability incorporated in the Cayman Islands. The Company is an investment holding company. The Company and its subsidiaries are principally engaged in the development, production, marketing and sale of generic drugs and branded healthcare products. The Company's shares were listed on the Main Board on 21 September 2016.

2 Basis of Preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 25 November 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the consolidated financial statements for the year ended 31 March 2022, except for the accounting policy changes that are expected to be reflected in the consolidated financial statements for the year ending 31 March 2023. Details of any changes in accounting policies are set out in note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the financial statements for the year ended 31 March 2022. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 24.

The financial information relating to the year ended 31 March 2022 that is included in the interim financial report as comparative information does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements.



3 Changes in Accounting Policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to the interim financial report for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on the financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 April 2022, and has concluded that none of them is onerous.

4 Revenue and Segment Reporting

(A) REVENUE

The principal activities of the Group are development, production, marketing and sale of generic drugs and branded healthcare products. All the revenue for the six months ended 30 September 2022 and 2021 was recognised in accordance with HKFRS 15, *Revenue from contracts with customers*.

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

(B) SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Generic drugs: this segment develops, manufactures and/or 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.

4 Revenue and Segment Reporting (Continued)

(B) SEGMENT REPORTING (CONTINUED)

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 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 this interim financial report.

(i) Segment revenue and results

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

	Generic drugs		Branded healthcare		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Revenue from external customers recognised at a point in time	581,891	562,177	235,462	188,236	817,353	750,413
Inter-segment revenue	40	160	1,386	1,136	1,426	1,296
Reportable segment revenue	581,931	562,337	236,848	189,372	818,779	751,709
Reportable segment profit (adjusted EBITDA)	233,780	162,879	56,823	41,085	290,603	203,964



4 Revenue and Segment Reporting (Continued)

(B) SEGMENT REPORTING (CONTINUED)

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

	Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000
Revenue		
Reportable segment revenue	818,779	751,709
Elimination of inter-segment revenue	(1,426)	(1,296)
Consolidated revenue	817,353	750,413
Profit		
Reportable segment profit	290,603	203,964
Elimination of inter-segment profit	(146)	(108)
Reportable segment profit derived from Group's external customers	290,457	203,856
Interest income from bank deposits and the investments	3,294	881
Fair value gain on investment properties	-	9,716
Depreciation and amortisation	(92,711)	(97,582)
Finance costs	(22,254)	(12,865)
Share of losses of associates	(1,499)	(1,815)
Share of losses of joint ventures	(519)	(285)
Consolidated profit before taxation	176,768	101,906

(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.

	Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000
Revenue from external customers		
Hong Kong (place of domicile)	711,319	676,186
Mainland China	66,251	26,811
Macau	21,616	33,241
Singapore	5,507	5,425
Others	12,660	8,750
	817,353	750,413

4 Revenue and Segment Reporting (Continued)

(B) SEGMENT REPORTING (CONTINUED)

(iii) Geographic information (Continued)

The following table sets out information about the geographical location of the Group's property, plant and equipment, 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, property, plant and equipment and non-current prepayments for property, plant and equipment, 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 30 September 2022 HK\$'000	As at 31 March 2022 HK\$'000
Specified non-current assets		
Hong Kong (place of domicile)	2,970,403	3,025,001
Mainland China	43,518	47,981
Macau	11	–
Taiwan	4,879	4,940
Cambodia	76,363	76,451
	3,095,174	3,154,373

(iv) Information about major customers

For the six months ended 30 September 2022, the Group's customer base includes one (six months ended 30 September 2021: 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\$296,842,000 (six months ended 30 September 2021: HK\$276,346,000).

5 Other Net Income

	Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000
Commission income	1,072	786
Interest income from bank deposits and the investments	3,294	881
Net foreign exchange gain/(loss)	1,023	(127)
Net loss on disposal of property, plant and equipment and intangible assets	(804)	(520)
Fair value gain on investment properties	–	9,716
Subcontracting income	2,992	4,903
Rental income	382	482
Net distribution and logistic service income	13,774	8,469
Government grants (Note)	26,639	–
Others	583	2,008
	48,955	26,598

Note: During the six months ended 30 September 2022, the Group successfully applied for funding support from the Employment Support Scheme. 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.



6 Profit Before Taxation

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

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
(A) Finance costs		
Interest on bank loans	21,454	12,095
Interest on lease liabilities	800	770
	22,254	12,865
	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
(B) Other items		
Amortisation of intangible assets	21,778	22,348
Depreciation		
– owned property, plant and equipment	49,855	52,261
– right-of-use assets	21,078	22,973
(Reversal)/write-down of inventories	(6,820)	2,174

7 Income Tax

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Current tax	28,994	19,619
Deferred taxation	406	(572)
	29,400	19,047

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (six months ended 30 September 2021: 16.5%) to the six months ended 30 September 2022. Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant jurisdictions.

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\$136,192,000 for the six months ended 30 September 2022 (six months ended 30 September 2021: HK\$80,039,000) and the weighted average of 1,918,625,000 ordinary shares (six months ended 30 September 2021: 1,915,677,000 shares) in issue during the period, calculated as follows:

	Six months ended 30 September	
	2022 '000	2021 '000
Shares of the Company issued at the beginning of the period	1,915,677	1,915,677
Effect of shares of Share Award Scheme	2,948	-
Weighted average number of ordinary shares in issue during the period	1,918,625	1,915,677

(B) DILUTED EARNINGS PER SHARE

Diluted earnings per share for the six months ended 30 September 2022 and 2021 were the same as the basic earnings per share as there were no potentially dilutive ordinary share in existence during both periods.

9 Dividends

(A) DIVIDENDS PAYABLE TO SHAREHOLDERS ATTRIBUTABLE TO THE REPORTING PERIOD

	Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000
Interim dividend declared and paid after the Reporting Period of HK2.8 cents per share (six months ended 30 September 2021: HK1.2 cents per share)	54,158	23,211

The interim dividend has not been recognised as a liability at the end of the Reporting Period.

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

	Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000
Final dividend in respect of the previous financial year, approved and payable during the following reporting period, of HK2.68 cents per share (six months ended 30 September 2021: HK1.5 cents per share, approved and paid during the following reporting period)	51,837	29,013
Less: Dividend of shares held by Share Award Scheme	(839)	(278)
	50,998	28,735



10 Property, Plant and Equipment

(A) RIGHT-OF-USE ASSETS

During the six months ended 30 September 2022, the Group entered into a number of lease agreements for use of warehouses and office buildings, and therefore recognised the additions to right-of-use assets of HK\$24,859,000 (six months ended 30 September 2021: HK\$24,436,000).

During the six months ended 30 September 2022, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19 and the amount of COVID-19 rent concessions is HK\$208,000 (six months ended 30 September 2021: HK\$245,000).

The Group has adopted the Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*, and has applied the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the six months ended 30 September 2022.

(B) ACQUISITIONS AND DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2022, the Group acquired items of leasehold improvements, plant and machinery, motor vehicles, and furniture, fixtures and office equipment with a cost of HK\$8,863,000 (six months ended 30 September 2021: HK\$31,207,000). Items of plant and machinery and furniture, fixtures and office equipment with a net book value of HK\$264,000 were disposed of during the six months ended 30 September 2022 (six months ended 30 September 2021: HK\$90,000), resulting a loss on disposal of HK\$244,000 (six months ended 30 September 2021: HK\$90,000).

11 Trade and Other Receivables

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

	As at 30 September 2022 HK\$'000	As at 31 March 2022 HK\$'000
Less than 1 month	186,053	192,302
1 to 6 months	58,559	69,940
Over 6 months	15,253	46,701
Trade receivables	259,865	308,943
Other receivables	5,803	11,933
Deposits and prepayments	49,960	51,426
Amounts due from associates	1,700	1,739
Amounts due from joint ventures	9,005	6,505
	326,333	380,546

12 Other Financial Assets

	As at 30 September 2022 HK\$'000	As at 31 March 2022 HK\$'000
Non-current:		
Equity securities designated at fair value through other comprehensive income ("FVOCI") (non-recycling)		
- Unlisted	275,335	300,405
- Listed in Hong Kong	108,209	112,361
	383,544	412,766

13 Cash and Cash Equivalents

	As at 30 September 2022 HK\$'000	As at 31 March 2022 HK\$'000
Short-term deposits with banks	453,940	15,016
Cash at bank and in hand	406,469	463,637
Cash and cash equivalents in the consolidated statement of financial position and consolidated cash flow statement	860,409	478,653

14 Trade and Other 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 30 September 2022 HK\$'000	As at 31 March 2022 HK\$'000
Less than 1 month	42,004	31,317
1 to 6 months	18,388	18,909
Over 6 months	193	234
Trade payables	60,585	50,460
Salary and bonus payables	55,532	51,587
Payables and accruals for addition of property, plant and equipment	38	1,080
Other payables and accruals	70,369	50,544
Dividends payable	50,998	-
Receipt in advance ^(#)	3,943	3,740
Amount due to a joint venture	2,000	2,000
	243,465	159,411

^(#) 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.



15 Capital and Reserves

(A) SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each at 31 March 2022, 1 April 2022 and 30 September 2022	5,000,000	50,000
Issued:		
At 31 March 2022 and 1 April 2022	1,915,677	19,157
Shares held for Share Award Scheme (note 15(B)(i))	(12,756)	(128)
At 30 September 2022	1,902,921	19,029

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.

(B) EQUITY SETTLED SHARE-BASED TRANSACTIONS

(i) Share Award Scheme

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

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

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

During the six months ended 30 September 2022, the Share Award Scheme acquired 22,756,000 shares through purchases on the open market. The total amount paid to acquire the shares during the period was approximately HK\$19,486,000. During the six months ended 30 September 2021, the Share Award Scheme did not acquire any shares through purchases on the open market.

During the six months ended 30 September 2022, the Company has granted a total of 10,000,000 shares to eligible grantees, including certain directors of the Company and employees of the Group. There was no share award granted under the Share Award Scheme during the six months ended 30 September 2021.

Details of the shares awarded under the Share Award Scheme during the six months ended 30 September 2022 are as follows:

Date of grant	Number of Shares				As at 30 September 2022	Vesting period
	As at 1 April 2022	Granted during the period	Vested during the period	Lapsed during the period		
11 April 2022	–	10,000,000	(10,000,000)	–	–	31 May 2022

15 Capital and Reserves (Continued)

(B) EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(ii) Share Option Scheme

On 30 June 2017, 36,000,000 share options were granted at a consideration of HK\$1 to certain employees, including certain executive directors of the Company and certain directors of subsidiaries of the Company, under the Company's employee share option scheme. Each option gives the holder the right to subscribe for one ordinary share of the Company. These share options are valid and exercisable within a validity period from 1 October 2018 and 2019 up to 30 September 2018, 2019 and 2020 respectively in two tranches. The exercise price is HK\$2.06 per share, being the closing price of the shares of the Company as stated in Stock Exchange's daily quotations sheets on the date of grant.

On 18 October 2017, 1,000,000 share options granted at a consideration of HK\$1 to one employee, under the Company's employee share option scheme. Each option gives the holder the right to subscribe for one ordinary share of the Company. These share options are valid for three years commencing from 18 October 2017 up to 17 October 2020 and are exercisable subject to the vesting date on 1 April 2018. The exercise price is HK\$2.13 per share, being the average of the closing prices of the shares of the Company as stated in Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

As at 1 April 2021, all the share options have lapsed and no share options were outstanding as at 30 September 2022 and 2021.

(iii) Share Award Scheme of JBM Healthcare

On 18 January 2021, there is a share award scheme adopted by a subsidiary of the Group, JBM Healthcare. During the six months ended 30 September 2022, the share award scheme of JBM Healthcare acquired 3,814,000 shares at a total cost of HK\$3,036,000, of which the share capital of the acquired shares amounted to HK\$38,000. During the six months ended 30 September 2021, the share award scheme of JBM Healthcare did not acquire any shares through purchases on the open market. There was no share award granted under the share award scheme of JBM Healthcare during the six months ended 30 September 2022 and 2021.



16 Fair Value Measurement of Financial Instruments

(A) FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

(i) 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 Group engages external valuer for assessing the valuations for the unlisted equity instruments which are categorised into Level 3 of the fair value hierarchy. The Group prepares analysis of changes in fair value measurement at each interim and annual report date. Discussion of the valuation process and results with the Board is held twice a year, to coincide with the reporting dates.

The following table presents the Group's financial assets that were measured at fair value at 30 September 2022 and 31 March 2022.

	Fair value at 30 September 2022 HK\$'000	Fair value measurements at 30 September 2022 categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<i>Financial assets:</i>				
Financial assets at FVOCI				
– Unlisted	275,335	–	13,689	261,646
– Listed in Hong Kong	108,209	108,209	–	–
	Fair value at 31 March 2022 HK\$'000	Fair value measurements at 31 March 2022 categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<i>Financial assets:</i>				
Financial assets at FVOCI				
– Unlisted	300,405	–	247,619	52,786
– Listed in Hong Kong	112,361	112,361	–	–

As at 30 September 2022, the fair value of the unlisted financial assets at FVOCI of HK\$93,213,000 and HK\$111,446,000 were determined using discounted cash flow method (31 March 2022: with reference to the pricing of the recent transactions or offerings of the investees' shares) and market comparison approach by reference to the enterprise value to sales ratios of comparable listed companies, adjusted for lack of marketability discount, (31 March 2022: with reference to the pricing of the recent transactions or offerings of the investees' shares) respectively due to lack of recent transaction. Accordingly, the fair value measurement was transferred from Level 2 to Level 3.

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 six months ended 30 September 2022. 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.

16 Fair Value Measurement of Financial Instruments (Continued)

(A) FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

(ii) 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.

(iii) Information about Level 3 fair value measurements

	Valuation technique	Significant unobservable inputs	Range
Unlisted financial assets at FVOCI	Discounted cash flow method	Discount rate	14.0% – 16.0% (31 March 2022: 13.5% – 15.1%)
	Market comparison approach	Discount for lack of marketability	20.0% (31 March 2022: N/A)

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 30 September 2022, 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\$19,264,000/HK\$17,272,000 (as at 31 March 2022: HK\$8,112,000/HK\$7,343,000).

The fair value of unlisted equity instruments is determined using market comparison approach method. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 30 September 2022, it is estimated that with all variable held constant, a decrease/increase in discount for lack of marketability by 1% would have increased/decreased the Group's other comprehensive income by HK\$1,393,000/HK\$1,393,000.

The movement during the reporting period in the balance of Level 3 fair value measurements is as follows:

	As at 30 September 2022 HK\$'000	As at 30 September 2021 HK\$'000
Financial assets at FVOCI – unlisted equity securities:		
At 1 April	52,786	57,690
Changes in fair value recognised in other comprehensive income during the reporting period	(24,593)	–
Transfer from Level 2	233,453	–
At 30 September	261,646	57,690

(B) FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT OTHER THAN FAIR VALUE

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair value as at 30 September 2022 and 31 March 2022.



17 Commitments

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

	As at 30 September 2022 HK\$'000	As at 31 March 2022 HK\$'000
Authorised and contracted for – Purchase of non-current assets	25,621	22,565

18 Material Related Party Transactions

KEY MANAGEMENT PERSONNEL EMOLUMENTS

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

	Six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000
Short-term employee benefits	3,730	3,494
Post-employment benefits	174	167
Equity compensation benefits	3,900	–
	7,804	3,661

19 Contingent Liabilities

As of 30 September 2022, the Group did not have any significant contingent liabilities.

20 Non-Adjusting Events After the Reporting Period

No significant event has taken place subsequent to 30 September 2022 and up to the date of this interim report.

GLOSSARY

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

“AIM Atropine Eye Drops”	refers to AIM Atropine 0.01% Eye Drops, AIM Atropine 0.05% 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
“Board”	the board of directors of the Company
“CG Code”	Corporate Governance Code as amended or supplemented from time to time contained in Appendix 14 to the Listing Rules
“China”, “Mainland China” or “the PRC”	the People’s Republic of China excluding, for the purpose of this interim 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
“COVID-19”	Coronavirus disease 2019
“Director(s)”	the director(s) of the Company
“FY2022”	the year ended 31 March 2022
“FY2022 Interim”	the six months ended 30 September 2021
“FY2023”	the year ending 31 March 2023
“FY2023 Interim” or “Reporting Period”	the six months ended 30 September 2022
“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
“HKIB”	The Hong Kong Institute of Biotechnology
“Hong Kong” or “HKSAR”	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 Pharma Distribution”	a conditional special interim dividend declared by the Company on 15 January 2021 to be satisfied by way of a distribution in specie of an aggregate of 241,777,625 shares in JBM Healthcare to the qualifying shareholders of the Company, details of which are set forth in the section headed “Jacobson Pharma Distribution and the Spin-off” in the prospectus of JBM Healthcare dated 26 January 2021
“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
“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
“Mr. Sum”	Mr. Sum Kwong Yip, Derek, our chairman, executive Director, chief executive officer and one of our Controlling Shareholders
“Private Sector”	refers to non-Public Sector
“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 the British Virgin Islands on 12 December 2012
“R&D”	research and development
“SAP”	System Analysis Program Development
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“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 of the Company dated 8 September 2016
“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
“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 identification purpose only