Harvesting On Growth Opportunities Through People's Talents

JACOBSON PHARMA CORPORATION LIMITED

Incorporated under the laws of the Cayman Islands with limited liability

Stock Code : 2633

Annual Report 2023

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Non-executive Director
Professor 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

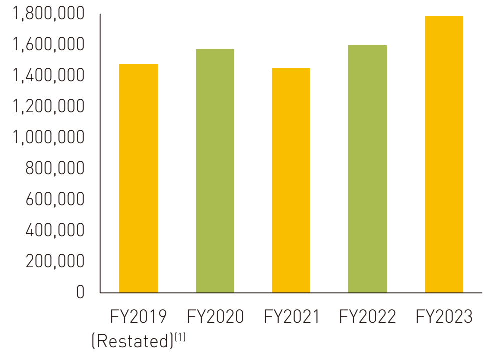
2633

COMPANY WEBSITE

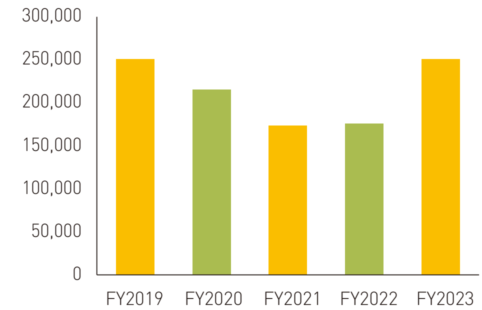
www.jacobsonpharma.com

FINANCIAL HIGHLIGHTS

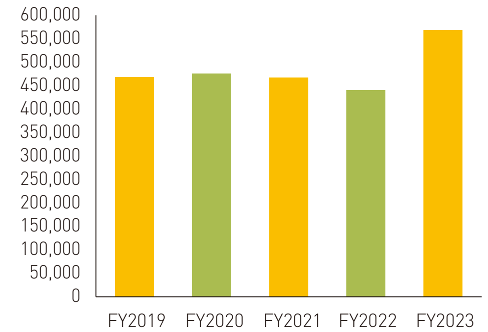
Revenue
(HK$'000)



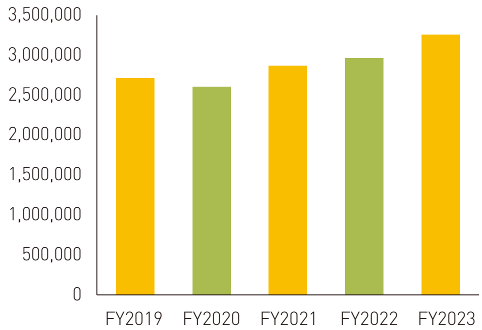
Profit Attributable to Equity Shareholders
(HK$'000)



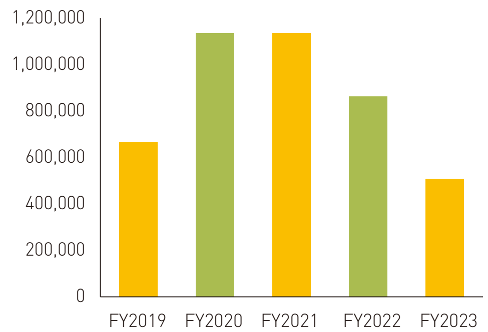
Adjusted EBITDA
(HK$'000)



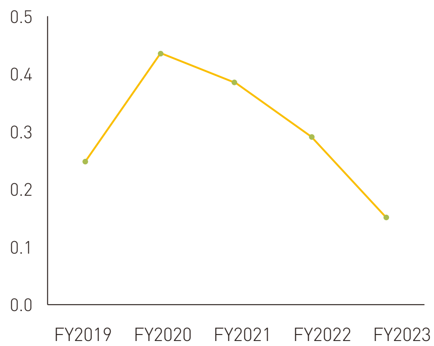
Net Assets
(HK$'000)



Net Debts
(HK$'000)



Net Gearing Ratio



	Year ended 31 March 2023 HK$'000	Year ended 31 March 2022 HK$'000	Change
Revenue			
– Generic Drugs	1,267,598	1,191,360	+6.4%
– Branded Healthcare	517,981	404,183	+28.2%
Total	1,785,579	1,595,543	+11.9%
Gross profit	747,172	620,522	+20.4%
Gross profit margin (%)	41.8%	38.9%	
Profit attributable to equity shareholders of the Company	251,044	177,666	+41.3%
Profit margin attributable to equity shareholders of the Company (%)	14.1%	11.1%	
Adjusted EBITDA[2]	568,172	441,614	+28.7%
Adjusted EBITDA margin (%)[3]	31.8%	27.7%	
Return on equity (%)[4]	9.1%	6.5%	

	As at 31 March 2023 HK$'000	As at 31 March 2022 HK$'000	Change
Total assets	5,380,499	4,755,540	+13.1%
Total liabilities	2,123,977	1,797,575	+18.2%
Total equity	3,256,522	2,957,965	+10.1%

(1) The wholesale and retail segment has been classified as discontinued operations of the Group for the years ended 31 March 2021, 2020 and 2019. In accordance with Hong Kong Financial Reporting Standard 5, Non-current Assets Held for Sale and Discontinued Operations, the Group has restated the comparative information in 2019 in this regard.

(2) Adjusted EBITDA is calculated based on adjusted earnings before interest, taxes, depreciation and amortisation, where "interest" is regarded as including interest income and finance costs 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.

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

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

CHAIRMAN'S STATEMENT

Dear Partners and Shareholders,

"While Jacobson has pursued a targeted strategic transformation, our mission of 'delivering healthcare as a trusted partner' remains central to our underlying purpose of enhancing healthcare delivery by making quality medicines more accessible to those in need."

Delivering Growth with Resolve and Resilience

FY2023 was another remarkable year for Jacobson as we continued to realize our growth strategies, bolstered the pipeline and core competencies while striving for enhanced operating efficiency. As I said last year, albeit the continued impact of the pandemic, there were reasons to be optimistic that a healthier future was within our grasp. Alongside the gradual relaxation of control and prevention measures during the second half of the year, there was a notable rebound of economic activity coupled with an increase in consumer confidence towards the fourth quarter of the financial year. We are truly grateful for the selfless commitment of our teams, who helped the Company navigate through the immense challenges during times of uncertainty.

Medical progress and technological advances are evolving with impressive speed, even in a sphere of increasing uncertainty and volatility. Two years ago, we initiated a transformation of our group companies to further improve our commercial execution and operational performance in order to align with our growth strategy as a pure-play pharmaceutical and healthcare company. While Jacobson has pursued target-oriented strategic transformation, the essence of our company vision remains the same. Our mission of "delivering healthcare as a trusted partner" is central to our underlying purpose of enhancing healthcare delivery by making quality medicines more accessible to those in need.

Operating with Discipline

Operational performance for Jacobson in FY2023 was excellent, with strong growth in sales of generic drugs and specialty medicines in both Private and Public Sectors. There were several notable progress and accomplishments, including:

1. launched 22 new generics and specialty medicines as the portfolio continued to shift towards more complex and specialty formulae;

2. advanced our specialty medicine pipeline with the addition of Mycophenolate infusion, Idarubin injection and Solifenacin tablet;

3. delivered strong growth in key promoted products, including Valsartan/Amlodipine and Arsenic Trioxide, leveraging an expanded commercial team;

4. achieved continued growth in our cardiovascular products, particularly in the public sector, by gaining new tenders on Trimetazidine modified release tablet and Ramipril tablet; and

5. bolstered key core capabilities in our R&D, commercial and in-licensing network.

This is the start of a sustained period of growth for the Group businesses, highlighted by 11.9% growth in revenue and 28.7% growth in adjusted EBITDA. One of the key achievements in FY2023 was the improvement in gross margin from 38.9% to 41.8% driven by new product launches and operating efficiency. In addition, we enhanced our business in high-growth product formulae, including suppository and complex generics, and further built capabilities that we believe will serve the Group well in the long term. We generated approximately HK$677.7 million in cash from operation in FY2023, which supported investments in building capabilities and a proposed final dividend of HK2.38 cents per share. Combined with the interim dividend of HK2.80 cents per share, this represents a 33.5% increase in dividends over the preceding year.

Operating Responsibly to Deliver Positive ESG Impact

At Jacobson, we are guided by a deep sense of purpose: Delivering health as a trusted partner. To us, "health" not only represents our commitment to producing quality, accessible medicines, but also to elevating our people and our community, striving for responsibility in social and environmental stewardship. We are driving this vision by enriching the diversity and capabilities of our staff members. We are directing our R&D capabilities to create more affordable generics of complex products that improve patients' access to essential medicines. Thus, we are determined to establish a paradigm that combines business strategy and sustainable development, ensuring we can pursue our aspirations in a cohesive manner.

As an integral part of our environmental commitments, we have established a set of environmental targets for FY2023 and FY2024. We are thrilled to announce that Jacobson has been progressing well on this front. Our key initiatives in this regard include developing policies relating to environmental management, recycling and waste management, conducting a waste baseline study, and carrying out a feasibility study on water usage. In the environmental domain, a roadmap to record packaging materials by weight to facilitate data collection is already in place, while a plan to install solar panels and promote the transition to green energy has been put forward. In the social domain, we set out initiatives to build a stronger connection with employees and devote resources to support social advocacy and therapeutic communities such as the Children's Cancer Foundation.

As a key player in the pharmaceutical industry, we aim to lead the way in embracing sustainability. We will collaborate with like-minded stakeholders to drive the ESG initiatives, with a view to contributing to the betterment of healthcare delivery in our society and ultimately building resilience in our economy. We are committed to building a legacy that centers on positively impacting the environment and society while pursuing our long-term vision.

Looking Ahead with Confidence

As we enter 2023, I am delighted by the gradual yet swift recovery of market confidence and vitality, hence the growth prospects of our business. As ever, it is our people who fuel this confidence. I want to thank them for all they have contributed during FY2023 and the strong momentum they are carrying forward to years ahead and beyond.

Lastly, I would like to thank our colleagues, partners, and shareholders for their unwavering support throughout the year. I eagerly look forward to what promises to be an exciting FY2024 for Jacobson.

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

Hong Kong, 15 June 2023

CORPORATE VISION AND MISSION

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 & ANALYSIS

BUSINESS OVERVIEW

Throughout FY2023, the Group maintained a steady and solid operating performance despite the ongoing challenges posed by the COVID-19 pandemic and the dampened economy. Although the first half of the year was marked by a turbulent start in the wake of the severe fifth wave of COVID-19 outbreak in Hong Kong, the HKSAR Government's progressive relaxation of social distancing and travel restrictions in the second half of the year gradually led to the rebound of economic and social activities, contributing to a notable growth momentum for the Group's performance.

In spite of the challenging market and operating environments, the Group posted a year-on-year growth of 11.9% in its total revenue, amounting to HK$1,785.6 million. We continued to demonstrate resilience and made steady progress towards our strategic objectives throughout the year. Our full-year performance reflected the growth we achieved across our businesses, with enhanced operational efficiency and sound cost discipline.

As we continued to vigorously pursue our growth strategies, we remained steadfast in consolidating our position as a leading player in Hong Kong's generic drugs market. This was accomplished by intensifying efforts to enhance our R&D pipeline, lift production capabilities, diversify our product portfolio, and refine commercial execution while strengthening our sales platforms.

We also made meaningful progress in building our ESG framework and measures. We strongly believe that operating responsibly is crucial to the success and sustainability of any business. Our commitment to embedding ESG objectives, strategies, and initiatives into the way we operate and conduct business supports our sustainable performance and long-term growth. These efforts also help us build trust with our stakeholders and deliver positive social impact.

To support this commitment, we have developed comprehensive ESG policy statements and targets that are aligned with the United Nations Sustainable Development Goals. These policy statements and targets are underpinned by expansive action plans that provide a roadmap for our progress and ensure accountability across our organisation, as outlined in our ESG Report.

RESULTS

Sustained Momentum across Group's Businesses

During the Reporting Period, the Group's generics business demonstrated strong resilience, with a steady year-on-year growth of 6.4% and revenue reaching HK$1,267.6 million. This growth was fueled by the heightened demand for COVID-19 symptomatic relief medications, alongside the relaxation of pandemic-related restrictions, which enabled the resumption of medical consultation visits and boosted the demand for essential drugs as well as specialty medicines for chronic diseases.

The Group's branded consumer healthcare subsidiary, JBM Healthcare (HKSE stock code: 2161), achieved sales revenue growth of 28.1% to HK$520.3 million during the Reporting Period. Profit attributable to equity shareholders of JBM Healthcare increased by 132.1% to HK$57.1 million, primarily due to the gradual lifting of COVID-19 measures in Hong Kong, which boosted retail spending sentiment and overall sales recovery, particularly in the last quarter of the year. The growth was also supported by robust performance on the cross-border e-commerce platform as well as the subsidies from the HKSAR Government's Employment Support Scheme during the Reporting Period.

With strong cash flows and a healthy financial position, the Group maintained an adjusted EBITDA of HK$568.2 million during the Reporting Period. The net gearing ratio decreased significantly from 29.2% as of 31 March 2022, to 15.6% at the end of the Reporting Period. The Group's cash position remained strong, with a balance of HK$1,036.4 million as at the end of the Reporting Period.

OPERATION PERFORMANCE

Extensive Portfolio to Meet Patients' Demand

As the leading generics manufacturer in Hong Kong, the Group maintains a broad yet targeted portfolio of essential and specialised medications catering to the healthcare demand of the public.

To meet the increased demand for symptomatic relief medications during Hong Kong's fifth wave of COVID-19 outbreak, the Group implemented effective measures to ramp up production and ensure an adequate supply, catering to the crucial healthcare requirements of the public during this challenging period. As a result, our cold and flu range experienced significant sales growth over the Reporting Period.

Products targeting the elderly and chronic disease populations continued to witness robust demand. The Group experienced noteworthy sales growth in its cardiovascular product range, which includes lipid-lowering, anti-anginal, beta-blockers, and angiotensin II antagonist medications. Similarly, the product category for bladder and prostate disorders saw a significant rise due to heightened usage of Terazosin Tablets and the introduction of Solifenacin Tablets to the market.

Furthermore, the psoriasis preparations and antiviral drug classes demonstrated robust growth. Additionally, there was strong growth observed in the product categories of analgesics and antipyretics, non-steroidal anti-inflammatory drugs, antiasthmatics, hypnotics, and antihistamines compared to the previous period.

Market Access for Fosun BioNTech COMIRNATY Vaccines

The Group acts as the distributor of the Fosun BioNTech COMIRNATY Vaccine (the "**Vaccine**") in Hong Kong and Macau. Both Fosun BioNTech's COMIRNATY BNT162b2 and COMIRNATY Bivalent vaccines have obtained market authorisation in Hong Kong and regulatory approval as routine import vaccines in Macau. This development has led to full coverage in public and private markets across Hong Kong and Macau.

The vaccination program was rolled out in March 2021 in collaboration with health authorities, and as of the end of the Reporting Period, around 12.3 million doses of the Vaccine have been delivered for administration. Supported by a specialised team of medical professionals, we continue to provide 24-hour medical information services to the public to deliver the premier vaccine and service support, ensuring the utmost health of the citizens of Hong Kong and Macau.

New Product Introduction

Through our continuous efforts to introduce high-quality generic drugs to meet medical and patient needs, the Group launched 22 new products in the Reporting Period, including Entecavir Tablet, Bicalutamide Tablet, Trimetazidine Modified Release Tablet, Olmesartan Tablets, Ramipril Tablets, Solifenacin Tablets, Finasteride Tablets, Mycophenolate Infusion, Idarubicin Injection and Ofloxacin Ear Drops and Homatropine Eye Drops.

Furthermore, the Group has obtained registration approval for 35 new products, paving the way for future market launches.

Veterinary Medicine

We recognise the intrinsic connection between human and animal health in our shared environments. As companion animals have become increasingly significant contributors to well-being and lifestyle in Hong Kong, we see a vast and growing potential in veterinary medicine.

To address the rising demand for quality veterinary medicines and supplements, our veterinary health division now supports over 1,000 veterinarians and 200 clinics across Hong Kong with a diverse and expanding portfolio of over 400 therapeutics.

Our goal is to strengthen collaboration with the veterinary sector, promoting advanced specialist care for animals through the products and services we provide. Our efforts are backed by a specialist-oriented portfolio, a skilled professional team, and Good Distribution Practice accredited logistics and facilities, all working together to support the development and growth of our veterinary medicine business.

Steady Progress of R&D Pipeline

We adhere to a prudent and disciplined approach to R&D, continuously optimising our pipeline to focus on high-demand therapeutic areas such as cardiovascular health, gastrointestinal well-being, and diabetes management.

We made steady progress in advancing our R&D pipeline over the Reporting Period. A total of 14 products completed development and were submitted for regulatory approval. Additionally, 6 products have also started stability studies.

As of 31 March 2023, our R&D pipeline consists a total of 179 products, with 60 products receiving marketing authorisation approval, 14 submitted for registration, 56 completed development and currently undergoing stability study, and 17 items in the formulation or pre-formulation research development stage.

Through a strategic and targeted R&D program, we prioritise chronic diseases and high-growth therapeutic areas to offer top-quality, affordable essential and specialised medications to patients in need. Our consistent progress over the years demonstrates our unwavering commitment to delivering accessible healthcare solutions to the general public.

Scaling Production to Meet Growing Demand

The Group's manufacturing output experienced steady growth in FY2023 as economic activities and daily life gradually returned to normal with the COVID-19 pandemic subsiding. As a result of the relaxation of social distancing measures by the HKSAR Government, which facilitated patient consultation visits to public and private hospitals and clinics, the Group benefited from the boosted demand for essential medicines during the Reporting Period.

To meet the elevated demand for essential medicines, primarily symptomatic relief medications for COVID-19, the Group worked diligently to maximise productivity by optimising efficiency and flexibility across our manufacturing sites. The Group swiftly responded and ramped up our liquid dosage form production reaching approximately 2.0 million liters during the Reporting Period, a significant increase of 43.1% from the previous year. This is a testimony of the Group's extensive expertise and capability in pharmaceutical manufacturing, which enables us to efficiently respond to market needs and deliver high-quality products to our customers.

The production output of eye drop products exhibited a sustained growth of 18.1%, reaching over 48.0 thousand liters during the Reporting Period. Additionally, the solid oral preparation production output demonstrated a positive increase of 12.0%, amounting to over 3.3 billion capsules and tablets.

To keep pace with escalating market demand, the Group has implemented a series of enhancement plans at various manufacturing facilities to expand our liquid, solid, and external production lines. These initiatives will encompass equipment modernisation, capacity amplification, and process optimisation. We firmly believe that these efforts will better equip us to cater to the growing demand and establish a foundation for continued growth in the years ahead.

BUSINESS DEVELOPMENT

Bolstered Portfolio of Complex Specialty Drugs

To bolster our portfolio and diversify our collection of complex specialty drugs to supplement our R&D pipeline, we remained focused on our in-licensing strategy for our business development endeavors.

Throughout the Reporting Period, we successfully secured exclusive in-licensing agreements for an impressive total of 53 top-performing specialised drugs. These innovative medications cover various therapeutic areas, including oncology, antifungal and antibacterial treatments, cardiovascular care, immunomodulatory therapies, and diabetes management solutions.

One notable in-licensed medication is a first-in-class diabetes treatment, which has shown significant market potential due to its proven efficacy in glycemic control and weight loss promotion with convenience in treatment.

In oncology, we have in-licensed a promising oral tyrosine kinase inhibitor with substantial potential in various cancers, including those with limited treatment options. Its improved safety, efficacy, and convenient oral formulation make it a potential market leader.

In the cardiovascular category, we have secured rights to an innovative oral anticoagulant that reduces stroke risk in patients with non-valvular atrial fibrillation. This product boasts a distinctive pharmacokinetic profile, which allows for simplified treatment regimens. As a result, it provides a more convenient and secure option than conventional anticoagulants.

For antifungal treatments, we have in-licensed a novel echinocandin agent with high efficacy in treating invasive fungal infections. Its unique mode of action is less likely to induce resistance, making it a vital addition to our portfolio and a potential game-changer in treating invasive fungal infections.

These examples highlight the diverse range of high-potential products within our in-licensed portfolio. Our commitment to securing innovative treatments reflects our dedication to providing top healthcare solutions and reinforcing our position as a leading healthcare provider.

Serving the Guangdong-Hong Kong-Macau Greater Bay Area ("**GBA**")

The Group has made encouraging headway in GBA market access through its strategic partnership with The University of Hong Kong-Shenzhen Hospital ("**HKU-Shenzhen Hospital**"). Our oral solution for acute promyelocytic leukemia, Arsenic Trioxide Oral Solution, was the first Hong Kong-developed specialty pharmaceutical approved under Guangdong Province's interim regulations allowing the import of urgently needed drugs and devices from Hong Kong and Macau.

Having secured regulatory approval, we have commenced the supply of this specialty medicine to patients receiving treatment at HKU-Shenzhen Hospital. With the recent expansion of the policy to include 14 additional hospitals in the pilot program, we are well-positioned to extend the coverage of this critical treatment option across the GBA healthcare network. A total of 19 medical institutions in Guangdong Province now have the potential to access this therapy through the pilot scheme.

To address unmet medical needs in neighboring regions, we have also established a stable supply of Arsenic Trioxide Oral Solution in Southeast Asia. Patients across a wide geography now have the potential to benefit from this Hong Kong-developed innovation. We will continue our partnership with HKU researchers to maximise the benefit of this treatment and deliver improved outcomes for patients locally and globally.

E-Ordering Platform for Boosting Sales and Customer Engagement

We have made significant progress in digitalising customer service through the development of our e-ordering platform, e-Jacob Pharma2U. After completing user tests, we have planned its official launch in the latter half of this year. This platform marks a significant milestone in improving our digital capabilities tailored specifically for private clinics, simplifying the procurement process for pharmaceutical products and medical supplies.

e-Jacob Pharma2U signifies our commitment to enhancing the customer experience through digital transformation. By providing scale, speed, convenience and connectivity, this platform will allow us to expand our service offerings to match diverse needs from the Private Sector.

For medical professionals and key customers, e-Jacob Pharma2U enables easy access to our full product range, real-time interaction with our sales team, and streamlined order placement. Analysing purchase patterns will facilitate targeted promotions and new product launch marketing. As a high-value service, the platform provides order history and inventory management tools to healthcare professionals, strengthening engagement and loyalty.

Our digital strategy prioritises customer centricity. Investing in our digital capabilities to improve customer service, foster engagement, and elevate the overall experience remains a key strategic priority.

OUTLOOK

As we transition out of the COVID-19 pandemic, a measured sense of optimism emerges as we witness a steady revival of economic and social activities, highlighting renewed opportunities and potential for the business landscape buttressed by solid fundamentals. However, we believe it is essential to remain cautious amid the headwinds posed by inflationary pressures and geopolitical uncertainties, ensuring the adaptability of our business in this evolving environment.

We have showcased remarkable resilience in our performance over the past three years, exhibiting steady growth momentum despite the challenges posed by the pandemic. This progress, driven by our robust business platform and strategic approach, has placed us in an advantageous position to deliver sustainable growth and value for our stakeholders.

The growth factors for the generic drugs market continue to prevail, as the unprecedented impact of COVID-19 has underscored the importance of enhancing health as a crucial basis for sustainable economic growth. The HKSAR Government has demonstrated its commitment to improving healthcare by allocating HK$104.4 billion to the healthcare budget for the 2023-2024 fiscal year, representing approximately 18.6% of the government's recurrent expenditure. The budget allocation highlights the increased emphasis on strengthening preventive, community-based primary healthcare, aiming to address the challenges posed by an aging population and the rising prevalence of chronic diseases, which are crucial factors driving the growth of the healthcare sector.

Furthermore, the adoption of a generic drug substitution policy by government institutions is set to positively impact the expansion of the local generic drugs market. This growth is further fueled by the expiration of patents for a multitude of blockbuster drugs in the upcoming periods.

Capitalising on the emerging prospects, we remain committed to advancing our growth strategies and solidifying our position as a leading provider of essential medicines and specialty drugs in Hong Kong and Asia. Our strategic priorities will stay focused on maximising the commercial opportunities within our product portfolio, fortifying our product pipelines through in-licensing and in-house R&D, establishing a robust commercial platform for marketing and regulatory affairs management to foster collaboration with regional and international partners, and expanding our footprint in strategic markets across Asia.

In relation to the Group's branded consumer healthcare business, the consumer self-care market is posed to sustain its growth momentum in the post-COVID-19 era, driven by factors such as heightened health consciousness, sedentary lifestyles, and an aging population. This growth encompasses not only the general demand for over-the-counter (OTC) drugs and wellness products but also underscores a significant increase in demand for traditional Chinese medicine. The Group's proprietary Chinese medicines and concentrated Chinese medicine granules, in particular, benefit from the trend bolstered by favorable government policies and growing consumer acceptance of their complementary healing benefits alongside Western medicines.

We are pleased with our progress in gaining access to the GBA market through our strategic partnership with HKU-Shenzhen Hospital, resulting in the approval and listing of our Arsenic Trioxide Oral Solution. The GBA market has demonstrated remarkable growth, boosting a year-on-year GDP increase of approximately 7.0% over the past decade. We are highly optimistic about the potential of the GBA as our extended home market. As Hong Kong integrates economically into this vibrant region, we are committed to playing our part and contributing to its success.

Moving forward, we enter 2023 with good momentum. Our focus will remain on building upon our areas of strength while maintaining a robust and resilient business strategy. We are confident in our ability to execute our strategic plans diligently, capitalising on the growth opportunities that lie ahead for our business. By doing so, we aim to deliver consistent performance, achieve sustainable growth, and enhance shareholder value while preserving a sound financial position.

CORPORATE DEVELOPMENT

SYNDICATED LOAN

The Company (as guarantor) has on 6 April 2022 entered into a facility agreement with an indirect wholly-owned subsidiary of the Company (as borrower) (the "**Borrower**"), certain indirect wholly-owned subsidiaries of the Company (as guarantors), The Hongkong and Shanghai Banking Corporation Limited (as mandated lead arranger, bookrunner and lender) and other 13 financial institutions (as lenders) (the "**Lenders**"), pursuant to which the 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 such syndicated loan is 36 months after the date of the facility agreement. The facility amount was used for refinancing the bank loan facilities and to meet general working capital requirements of the Group (excluding the JBM Healthcare Group). Details of the syndicated loan were set out in the announcement of the Company dated 6 April 2022.

REMUNERATION POLICY

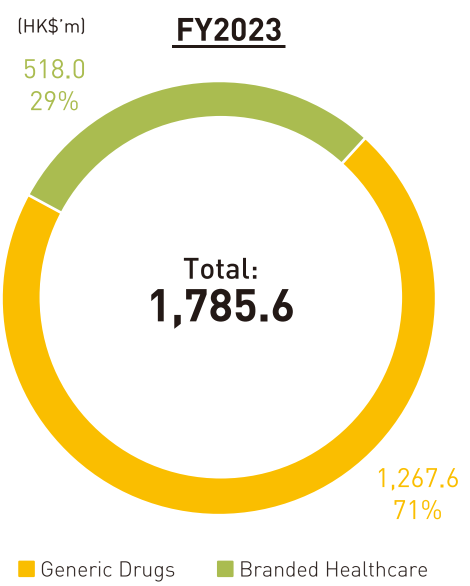
As of 31 March 2023, the Group has a total of 1,789 employees (compared to 1,736 employees as of 31 March 2022). For the Reporting Period, the total staff costs of the Group was HK$471.3 million, compared to HK$424.0 million for the year ended 31 March 2022 due to growth and expansion under the strategic business 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 31 March 2023, 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.

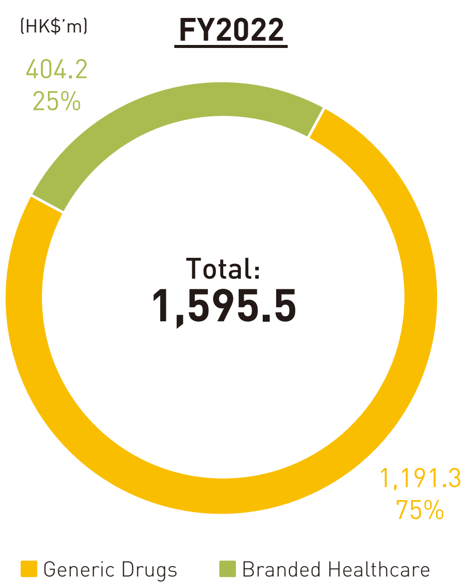
The Group places a high value on recruiting, developing and retaining its employees. It maintains high recruitment standards and provides competitive compensation and benefit packages to attract and retain talents. The Group also emphasises on training and developing employees. In addition to different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



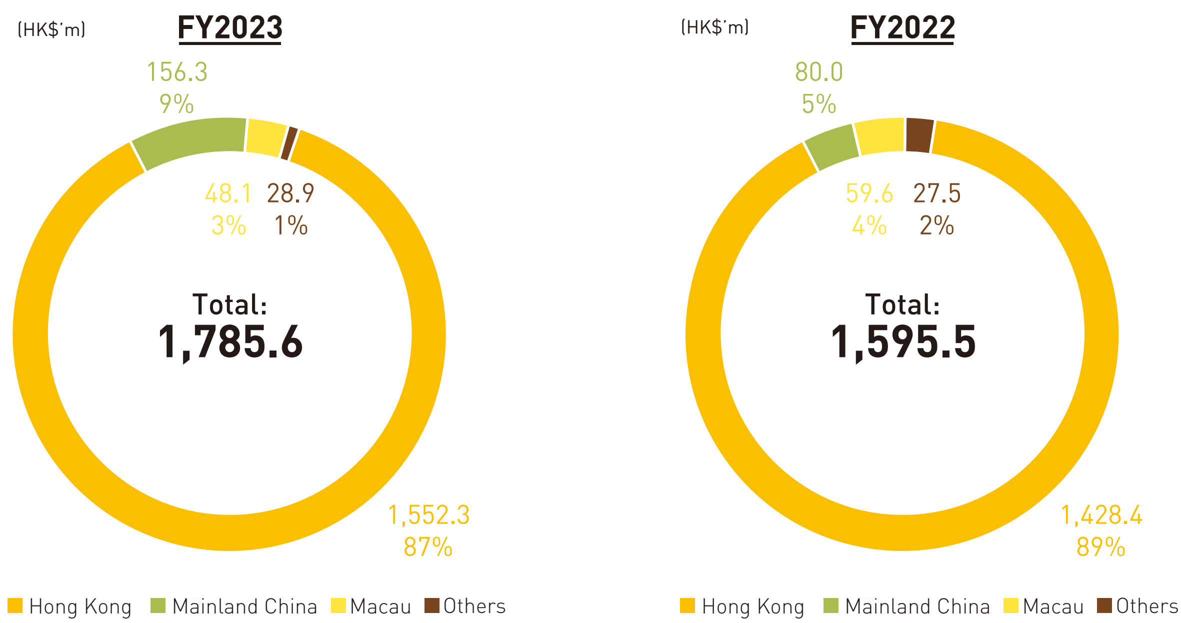


The revenue increase of HK$190.1 million, or 11.9%, compared to FY2022, was due to a rise in revenue of HK$76.3 million, or 6.4%, in the generic drugs segment and HK$113.8 million, or 28.2%, in the branded healthcare segment. The revenue distribution between the two segments was at a ratio of 71% to 29%.

In the generic drugs segment, both the Private and Public Sectors delivered positive growth during the Reporting Period. The HKSAR Government's progressive relaxation of social distancing and travel restrictions gradually led to the rebound of economic and social activities, facilitating the resumption of medical consultation visits in the Public and Private Sectors, thus boosting the demand for essential medicines as well as specialty drugs. The Private Sector, in particular, has rebounded significantly during the Reporting Period. The newly awarded public tenders, alongside the increasing demand for medications resulting from the ageing population and prevalence of chronic diseases, contributed to the stable sales in the Public Sector during the Reporting Period.

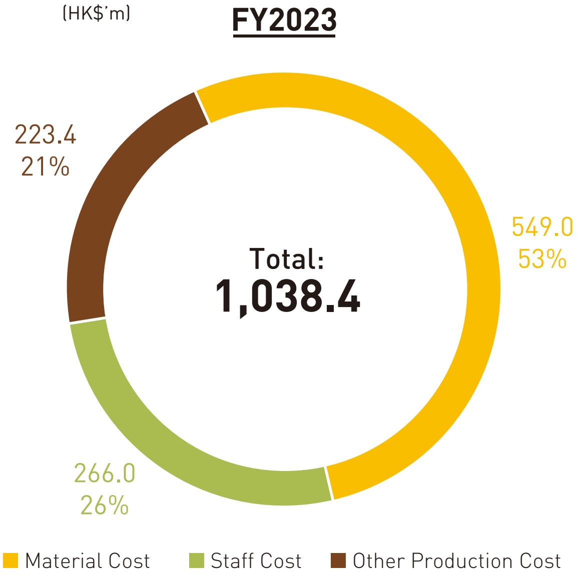
In the branded healthcare segment, the relaxation of COVID-19 restrictions in Mainland China, Hong Kong, and Macau has positively impacted retail spending sentiment. This has led to a strong sales recovery and a significant increase in revenue during the Reporting Period. A key contributor to the growth was the performance of Po Chai Pills, one of our prominent branded products. Furthermore, robust sales growth in the branded healthcare segment was fueled by strong sales of both our own brand and third-party brand products on our cross-border e-commerce platforms as well as the strong momentum of the concentrated Chinese medicine granules business driven by the growing consumer demand in traditional Chinese medicines.

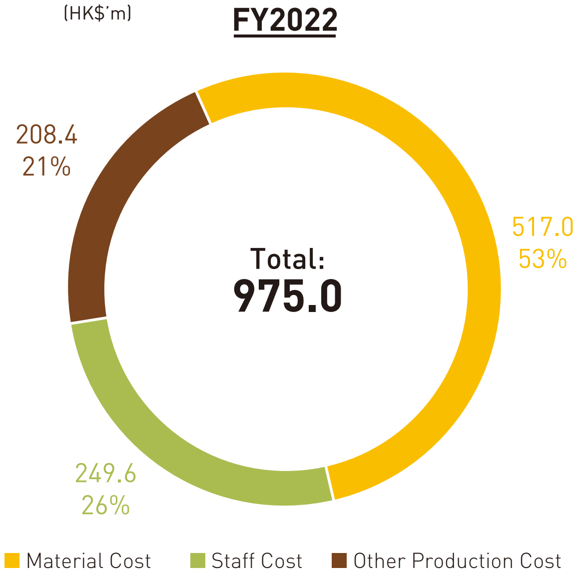
Revenue by Geographic Locations



Hong Kong continued to be the major revenue stream, representing 87% of the total revenue with an increase of HK$123.9 million compared to last year, mainly due to the prominent rebound of the generic drugs demand in the Private Sector during the second half of the Reporting Period and the stable sales growth of generic drugs in the Public Sector during the Reporting Period. The revenue in Mainland China increased by HK$76.3 million or 95.4%, mainly contributed by the significant increase in sales of branded healthcare products via various cross-border e-commerce platforms during the Reporting Period. The decrease in revenue from Macau by HK$11.5 million was mainly caused by spikes in COVID-19 infection cases in Macau during the Reporting Period. The revenue from other overseas markets remained relatively stable as compared to last year.

COST OF SALES



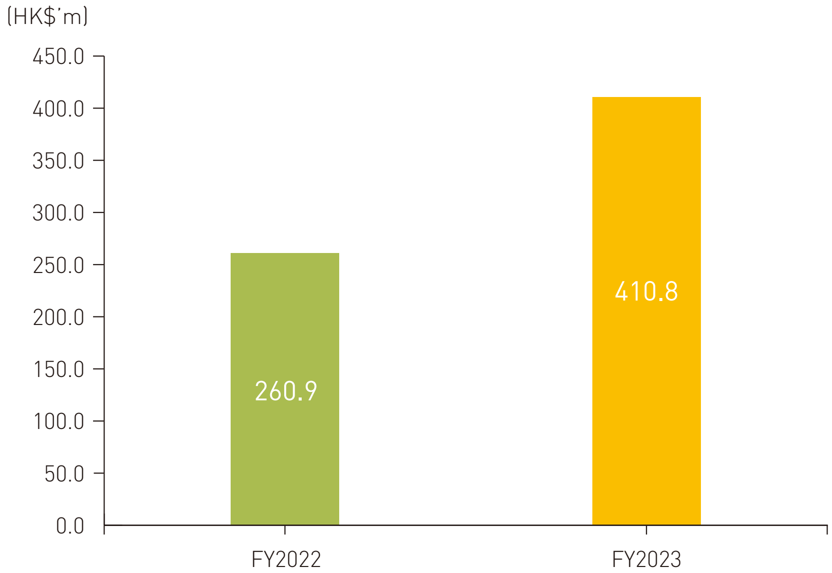


The increase in cost of sales of HK$63.4 million or 6.5% was generally in line with the overall sales growth of the Group during the Reporting Period. Material cost continued to be the major component contributing approximately 53% of the total cost of sales, while staff cost and other production cost contributed 26% and 21% respectively.

The increase in material cost of HK$32.0 million or 6.2% was attributable to the increase in production level and purchases of third party brand products as a result of the uplifted sales demand of the Group.

The increase in staff cost of HK$16.4 million or 6.6% reflected the increase in number of production headcount to support the increase in production level as a result of the sales growth as well as salary increment. The increase in other production costs of HK$15.0 million or 7.2% were generally in line with the overall sales trend of the Group.

PROFIT FROM OPERATIONS



The profit from operations increased significantly by HK$149.9 million or 57.5% to HK$410.8 million during the Reporting Period. The enhancement in profit from operations was principally contributed by the increase in gross profit of HK$126.7 million as a result of the uplifted sales demand owing to the gradual easing of pandemic-related measures in Mainland China, Hong Kong and Macau, alongside cost savings from operating leverage. The increase in other net income of HK$51.2 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 of HK$6.7 million and the one-off Employment Support Scheme subsidy from the HKSAR Government of HK$34.2 million recognised during the Reporting Period.

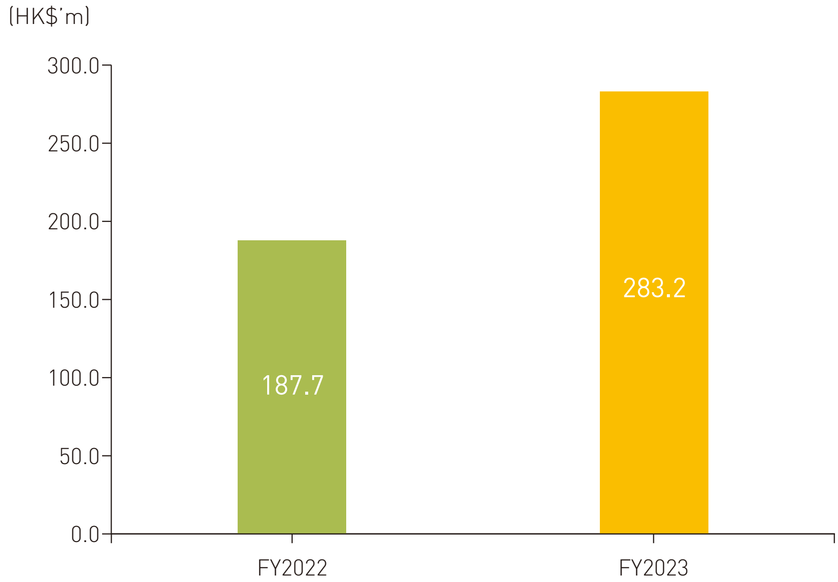
FINANCE COSTS

The increase in finance costs by HK$41.8 million or 162.6% was mainly attributable to the higher bank loan balance as a result of the syndicated loan obtained in April 2022, 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. The slight decrease in the effective tax rate was mainly attributable to the non-taxable Employment Support Scheme subsidy from the HKSAR Government of HK$34.2 million recognised during the Reporting Period.

PROFIT FOR THE YEAR



The profit for the year increased significantly by HK$95.5 million or 50.9% to HK$283.2 million, which reflected the increase in profit from operations as a result of the progressive relaxation of social distancing and travel restrictions in Mainland China, Hong Kong and Macau during the second half of the Reporting Period, offset partially by the additional finance costs and income tax.

ASSETS

Investment Properties and Property, Plant and Equipment

The decrease in investment properties and property, plant and equipment principally reflected the depreciation of HK$142.4 million, which were offset partially by the additions of HK$95.1 million mainly arose from the acquisitions of property, plant and machinery used by our pharmaceutical manufacturing plants and the acquisitions of investment properties.

Intangible Assets

The increase in intangible assets was primarily attributable to the additions of goodwill, trademarks, technology knowhow, and capitalised development costs of HK$60.4 million, which were offset partially by the amortisation of HK$42.1 million during the Reporting Period.

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

The estimated recoverable amount of the CGUs in the generic drugs segment exceeds their carrying amount as at 31 March 2023 by approximately HK$409.4 million (2022: HK$607.5 million) ("**headroom**") and the estimated recoverable amount of the CGUs in the branded healthcare segment exceeds its carrying amount as at 31 March 2023 by approximately HK$268.0 million (2022: HK$174.2 million).

Inventories

The increase in inventories by HK$53.4 million or 17.0% was mainly resulted from the increase in the production level due to the overall sales growth as a result of the gradual relaxation of pandemic-related restrictions in Mainland China, Hong Kong and Macau.

Cash and Cash Equivalents

As at 31 March 2023, approximately 98.9% of cash and cash equivalents were denominated in Hong Kong dollars (as at 31 March 2022: 93.5%), while the remaining balances were mainly denominated in United States dollars, Renminbi, Singapore dollars and Macau pataca.

LIABILITIES

Bank Loans

The increase in bank loans by HK$202.1 million or 15.1% as at 31 March 2023 was mainly attributable to the syndicated loan obtained in April 2022 for refinancing the existing bank loans which bear variable rates. As at 31 March 2023, 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 31 March 2023 respectively, and the expected timeline of the use of the unutilised IPO Proceeds:

Use of IPO Proceeds	Proposed application* HK$'000	As at 31 March 2022 Actual utilised amount HK$'000	As at 31 March 2022 Unutilised amount HK$'000	As at 31 March 2023 Actual utilised amount HK$'000	As at 31 March 2023 Unutilised amount HK$'000	Expected timeline for utilising the remaining IPO Proceeds
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	85,340	13,109	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	682,431	13,109	

* 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 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$73.9 million as at 31 March 2023, 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 at 31 March 2022 to 15.6% as at 31 March 2023, mainly attributable to cash generated from operations during the Reporting Period of HK$677.7 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 at 31 March 2023, 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 31 March 2023 and up to the date of this annual report.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CULTURE AND STRATEGY

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to shareholders;
- that the interests of stakeholders of the Company are safeguarded;
- that overall business risk is understood and managed appropriately;
- safety, efficacy and quality of products; and
- that high standards of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high corporate governance standards.

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

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

For the year ended 31 March 2023, the Company has complied with all the code provisions of the CG Code and adopted most of the best practices set out therein, except for code provision C.2.1 of part 2 of the CG Code ("**Code Provision C.2.1**"). Detail of the deviation from Code Provision C.2.1 is explained in the section headed "Chairman and Chief Executive Officer" of this report.

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.

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

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsibility for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time to perform his/her responsibilities that are commensurate with his/her role and the Board responsibilities. The Board includes a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

BOARD OF DIRECTORS (Continued)

BOARD COMPOSITION

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

The Board currently comprises the following Directors:

Executive Directors

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

Non-executive Director

Professor Wong Chi Kei, Ian

Independent Non-executive Directors

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

BOARD OF DIRECTORS (Continued)

BOARD INDEPENDENCE EVALUATION

The Company has established a board independence evaluation mechanism (the "**Board Independence Evaluation Mechanism**") during the Reporting Period which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgement to better safeguard the shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise its strengths, and identify the areas that need improvement or further development. During the evaluation process, action plan will be formulated to set out actions which shall be taken by the Company to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. An evaluation report for the independence of the Board (the "**Board Independence Evaluation Report**") will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the Reporting Period, all Directors has completed the independence evaluation in the form of a questionnaire individually. The Board Independence Evaluation Report was presented to the Board and the evaluation results were satisfactory.

During the Reporting Period, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

In accordance with the Articles of Association, Mr. Sum Kwong Yip, Derek, Mr. Young Chun Man, Kenneth and Professor Lam Sing Kwong, Simon will retire and being eligible, will offer themselves to be re-elected at the 2023 AGM.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

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

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

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

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

BOARD OF DIRECTORS (Continued)

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT (Continued)

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

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

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

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

During the Reporting Period, the Company organised a training session to the Directors conducted by the industry expert. Such training session cover a wide range of topics including the business applications of Web3 technology and related topics. Individual Directors have also attended seminars organised by external professional parties on different topics, including the duties and responsibilities of directors, the CG Code and the Listing Rules amendments and Hong Kong taxation updates. In addition, relevant reading materials such as legal and regulatory update and seminar handout have been provided to the Directors for their reference and studying.

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

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

Directors	Types of Training
Executive Directors	
Mr. Sum Kwong Yip, Derek	A, B
Mr. Yim Chun Leung	A, B
Ms. Pun Yue Wai	A, B
Non-executive Director	
Professor Wong Chi Kei, Ian	A, B
Independent Non-executive Directors	
Dr. Lam Kwing Tong, Alan	A, B
Mr. Young Chun Man, Kenneth	A, B
Professor Lam Sing Kwong, Simon	A, B

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

BOARD COMMITTEES

The Board has established committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee and Executive Committee for overseeing particular aspects of the Company's corporate governance affairs, and ESG Committee to assist the Board to manage all matters relating to environmental, social and governance, as well as the sustainable development of the Group. All these committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee, Nomination Committee and ESG Committee are posted on the websites of the Company and the Stock Exchange, and are available to shareholders upon request.

AUDIT COMMITTEE

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

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

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

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

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

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

(i) reviewed and recommended for the Board's approval of the financial reports for the year ended 31 March 2022 and the interim period ended 30 September 2022;

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

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

(iv) reviewed the continuing connected transactions and their annual caps;

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

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

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

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

(ix) reviewed and recommended for the Board's approval of the updated proposal on internal control review for FY2022/2023 and FY2023/2024.

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

BOARD COMMITTEES (Continued)

REMUNERATION COMMITTEE

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

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

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

During the Reporting Period, the Remuneration Committee met five times at which the committee members reviewed the remuneration of Directors and evaluated and assessed the effectiveness of the Remuneration Committee and the adequacy of its terms of reference. The Remuneration Committee also reviewed the remuneration packages of individual non-executive Directors and senior management, the Company's policy and structure for the remuneration of all Directors and senior management. In addition, the Remuneration Committee reviewed the renewed service agreement for Ms. Pun Yue Wai and the renewed letter of appointment for each of Dr. Lam Kwing Tong, Alan, Mr. Young Chun Man, Kenneth and Professor Lam Sing Kwong, Simon and made recommendation to the Board to approve the same.

Details of the remuneration of the senior management, who are the Directors, are set out in note 6 to the consolidated financial statements. The emoluments of the Directors by band for the year ended 31 March 2023 is set out below:

In the band of	Number of individuals
Nil to HK$1,000,000	4
HK$4,000,001 to HK$5,000,000	1
HK$8,000,001 to HK$9,000,000	1
HK$13,000,001 to HK$14,000,000	1

NOMINATION COMMITTEE

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

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

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

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

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

During the Reporting Period, the Nomination Committee met twice at which the committee members reviewed the structure, size and composition of the Board, the independence of the independent non-executive Directors, the Board Diversity Policy and the Director Nomination Policy, considered the qualifications of the retiring Directors standing for election at the annual general meeting. In addition, the Nomination Committee also evaluated and assessed the effectiveness of the Nomination Committee and the adequacy of its terms of reference.

BOARD COMMITTEES (Continued)

EXECUTIVE COMMITTEE

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

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

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

ESG COMMITTEE

The ESG Committee currently consists of three members including one independent non-executive Director namely Professor Lam Sing Kwong, Simon (Chairman of the ESG Committee), one executive Director namely Mr. Yim Chun Leung and the company secretary of the Company namely Mr. Yu Chun Kau.

The primary duties of the ESG Committee are to assist the Board to manage all matters relating to environmental, social and governance, as well as the sustainable development of the Group.

During the Reporting Period, the ESG Committee met twice at which the committee members reviewed the ESG matters, among others, key ESG parameters of the Company, proposed ESG approach and associated budget on key ESG projects during the Reporting Period.

BOARD DIVERSITY POLICY

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

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

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

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

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

BOARD DIVERSITY POLICY (Continued)

An analysis of the Board's current composition based on the measurable objectives is set out below:

Gender	Age Group
Male: 6 Directors Female: 1 Director	51-60: 4 Directors 61-70: 2 Directors 71-80: 1 Director

Designation	Educational Attainment
Executive Directors: 3 Directors Non-executive Director: 1 Director Independent Non-executive Directors: 3 Directors	PhD/Doctorate degree: 2 Directors Master's degree: 2 Directors Bachelor's degree: 2 Directors Tertiary education: 1 Director

Ethnicity	Business Experience
Chinese: 7 Directors	Accounting and finance: 2 Directors Business management: 2 Directors Education: 2 Directors Medical practice: 1 Director

The Nomination Committee and the Board considered that the current composition of Board is sufficiently diverse and the Board has not set any measurable objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

GENDER DIVERSITY

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the end of the Reporting Period:

	Female	Male
Board	14.29% (1)	85.71% (6)
Senior management*	14.29% (1)	85.71% (6)
Other employees	58.70% (1,046)	41.30% (736)
Overall workforce	58.52% (1,047)	41.48% (742)

* *Senior management comprises Directors only*

The Board had targeted to achieve and had achieved at least 14.29% (1) of female Director and 58.70% (1,046) of female employees of the Group and considers that the above current gender diversity is satisfactory.

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

DIRECTOR NOMINATION POLICY

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

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

CRITERIA ADOPTED FOR SELECTION AND RECOMMENDATION FOR DIRECTORSHIP

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

- Character and integrity.
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy.
- Any measurable objectives adopted for achieving diversity on the Board.
- Requirement for the Board to have independent Directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.
- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity.
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of Directors and succession planning.

NOMINATION PROCESS

(a) Appointment of New Director

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

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

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

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

(b) Re-election of Director at General Meeting

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

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

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

DIRECTOR NOMINATION POLICY (Continued)

NOMINATION PROCESS (Continued)

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

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

DIVIDEND POLICY

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

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision A.2.1 of part 2 of the CG Code.

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

BOARD MEETINGS

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

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

	Attendance/Number of Meetings						
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Executive Committee**	**ESG Committee**	**Annual General Meeting[1]**
Mr. Sum Kwong Yip, Derek *(Chairman)*	9/9	N/A	N/A	N/A	3/3	N/A	1/1
Mr. Yim Chun Leung	9/9	N/A	N/A	2/2	3/3	2/2	1/1
Ms. Pun Yue Wai	9/9	N/A	5/5	N/A	3/3	N/A	1/1
Professor Wong Chi Kei, Ian	9/9	N/A	N/A	N/A	N/A	N/A	1/1
Dr. Lam Kwing Tong, Alan	9/9	2/2	5/5	2/2	N/A	N/A	1/1
Mr. Young Chun Man, Kenneth	9/9	2/2	5/5	2/2	N/A	N/A	1/1
Professor Lam Sing Kwong, Simon	9/9	2/2	N/A	N/A	N/A	2/2	1/1

Note:

(1) The 2022 annual general meeting of the Company was held on 23 September 2022.

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

The independent non-executive Directors and non-executive Director have attended general meeting of the Company to gain and develop a balanced understanding of the views of shareholders.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The Directors acknowledged their responsibility for preparing, with the support from the Finance Department of the Company, the consolidated financial statements of the Group. In preparing the consolidated financial statements for the year ended 31 March 2023, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance have been complied with. The Directors believe that they have selected suitable accounting policies and applied them consistently, and made judgements and estimates that are prudent and reasonable and ensure the consolidated financial statements are prepared on a going concern basis.

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

The reporting responsibilities of the Company's external auditor, KPMG, are set out in the Independent Auditor's Report on pages 54 to 57 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

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

I. Risk Governance Structure

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

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

The Board acknowledged its responsibility for the risk management and internal control systems and reviewed their effectiveness covering a full financial year of the Group annually.

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

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

ACCOUNTABILITY AND AUDIT (Continued)

RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

I. Risk Governance Structure (Continued)

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

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

II. Risk Management Process

During the Reporting Period, the Group uses a blended top-down and bottom-up approach for identifying risks. Sources of risk, areas of impact, events and their potential consequences are identified. A risk universe has been created to ensure the entire spectrum risks are captured. The identified risks are categorised into financial, operational, reputation, legal and regulatory and people.

The Group uses a 3-by-3 risk matrix (heat map) to assess risks. The risk rating is scored in terms of the consequence and likelihood of occurrence. Risks are rated according to their residual risk levels. Residual risk levels refer to the scoring of risks which exist, taking into account all existing controls. The result from the risk analysis is evaluated to determine whether or not identified risks are within predefined risk appetite and tolerance levels.

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

III. Risk Monitoring and Reporting

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

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

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

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

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

IV. Annual Confirmation

The Group's risk management and internal control systems are designed to provide reasonable, but not absolute assurance against material misstatement or loss; to manage rather than completely eliminate the risk of failure to achieve business objectives. It has a key role in the management of risks that are significant to the fulfilment of business objectives. The Board, through the Audit Committee and with the assistance of the Company's external consultants, conducted risk management and internal control reviews of the business operations of the Group for the year ended 31 March 2023 and considered them to be effective and adequate. The management has provided a confirmation to the Audit Committee (and the Board) on the effectiveness of these systems for the Reporting Period.

ACCOUNTABILITY AND AUDIT (Continued)

INTERNAL AUDIT

The Company's external consultant prepares the internal audit report (the "**Internal Audit Report**") to the Audit Committee. The internal audit plays an important role in providing assurance to the Board that a sound internal control system is maintained and operated by the management.

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

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company has a policy with regard to the principles and procedures for handling and disseminating the inside information of the Company in compliance with the requirements under Part XIVA of the SFO and the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

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

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

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

AUDITOR'S REMUNERATION

The remuneration paid/payable to the external auditor of the Company, KPMG, in respect of audit services and non-audit services for the year ended 31 March 2023 were HK$6,678,000 (2022: HK$6,218,000) and HK$2,342,000 (2022: HK$2,257,000) respectively. The non-audit services for the years ended 31 March 2023 and 2022 mainly consisted of tax consultancy services, other reporting services and advisory services. The remuneration payable to other external consultants in respect of non-audit services (mainly consisted of advisory services and other reporting services) was HK$316,000 (2022: HK$728,000).

SHAREHOLDERS' RIGHTS

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

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

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

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

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

SHAREHOLDERS' RIGHTS (Continued)

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS DIRECTOR

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

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD ENQUIRIES TO THE BOARD

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

CONTACT DETAILS

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavors to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, the Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries. External auditor of the Company is also invited to attend the Company's annual general meeting pursuant to code provision F.2.2 of part 2 of the CG Code.

During the Reporting Period, the Company has amended its Memorandum of Association and Articles of Association. An up to date version of the Company's Memorandum of Association and Articles of Association is also available on the Company's website (http://www.jacobsonpharma.com) and the Stock Exchange's website (http://www.hkex.com.hk).

SHAREHOLDERS' COMMUNICATION POLICY

The Company has in place a Shareholders Communication Policy. The policy aims at providing timely, clear and reliable information the shareholders to allow them to make informed decisions and assessment of the performance and prospect of the Company, and views of the shareholders are communicated to the Company in assistance of the Company's development of appropriate strategies and measures in line with the interests of the shareholders. The Board reviewed the implementation and effectiveness of the Shareholders Communication Policy and the results were satisfactory.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS (Continued)

SHAREHOLDERS' COMMUNICATION POLICY (Continued)

The Company has established a number of channels for maintaining an on-going dialogue with its shareholders as follows:

(a) General Meetings

The Company holds general meetings which offer a valuable forum for dialogue and interaction with management. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at general meetings for and on their behalf if they are unable to attend the general meetings.

Appropriate arrangements for the annual general meetings and other general meetings shall be in place to encourage shareholders' participation:

(i) the Board members, chairmen or members of respective committees, and external auditor of the Company and such other person as the Board deems appropriate shall attend the general meetings of the Company to respond to questions addressed to the Company. In particular, management of the Company shall ensure the external auditor of the Company attend the annual general meetings to answer questions about the conduct of the audit, the preparation and content of the independent auditor's report, the accounting policies and auditor independence;

(ii) the chairman of the independent Board committee (if any) shall be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval;

(iii) the Company shall explain the procedures of voting by poll in detail and answer any questions from the shareholders on voting by poll before voting so as to ensure that each shareholder understands the relevant arrangements;

(iv) for each substantially separate issue at a general meeting, a separate resolution shall be proposed by the chairman of that meeting. The Company shall avoid "bundling" resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are "bundled", the Company shall explain the reasons and material implications in the notice of meeting; and

(v) voting results on any resolutions of the general meetings will be released on the websites of the Company and the Stock Exchange.

(b) Company's Website

The Company maintains a website (www.jacobsonpharma.com) which contains announcements, annual reports, interim reports, circulars for general meetings and other documents such as corporate information and highlight of historical development, etc. Information on the Company's website is updated on a regular basis and information released by the Company to the Stock Exchange is also posted on the Company's website immediately thereafter. To be environmentally friendly, shareholders are encouraged to access the relevant information on the Company's website.

The Company is also permitted to send or otherwise make available its corporate communication (including notices, announcements, circulars, interim reports and annual reports) to the shareholders using electronic means, and to publish corporate communication on its own website, subject to the Company satisfying the procedures set out in Rule 2.07A of the Listing Rules.

(c) Shareholders' Enquiries

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available and the Company has an investor relationship function to attend to enquiries from the shareholders. Details of the contact are set out below:

Strategic Public Relations Group
Email: jacobsonpharma@sprg.com.hk

COMPANY SECRETARY

The company secretary of the Company, Mr. Yu Chun Kau is an employee of the Group and reports directly to the chairman of the Board and chief executive officer of the Company. The Board approves the selection, appointment or dismissal of the company secretary of the Company. All Directors have access to the advice and services of the company secretary of the Company to ensure that board procedures, and all applicable law, rules and regulations, are followed.

Mr. Yu Chun Kau has confirmed that he has taken no less than 15 hours of the relevant professional training during the Reporting Period.

REPORT OF THE DIRECTORS

The Board is pleased to present their report and the audited financial statements of the Group for the year ended 31 March 2023.

PRINCIPAL ACTIVITY

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

BUSINESS REVIEW

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is principally 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. Further details are set out in the separate "2023 Environmental, Social and Governance Report" which is available on the websites of the Company (http://www.jacobsonpharma.com) and the Stock Exchange (https://www.hkexnews.hk). You may access the "2023 Environmental, Social and Governance Report" (i) by clicking on the "Investor Relations" section in the menu on the homepage of the Company's website; or (ii) by browsing through the Stock Exchange's website.

COMPLIANCE WITH LAWS AND REGULATIONS

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

BUSINESS REVIEW (Continued)

KEY RELATIONSHIPS

Customers

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

Employees

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

Suppliers

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

Further details are set out in the "2023 Environmental, Social and Governance Report" of the Company.

RESULTS AND DIVIDENDS

The Group's profits for the Reporting Period and the Group's financial position at the end of Reporting Period are set out in the consolidated financial statements on pages 58 to 119 of this annual report.

The Board recommends to declare a final dividend of HK2.38 cents per Share for FY2023 (FY2022: final dividend of HK2.68 cents per Share), subject to the approval of shareholders of the Company at the 2023 AGM to be held on 1 August 2023 (Tuesday), which is expected to be paid on 1 September 2023 (Friday) to shareholders whose names appear on the register of members of the Company on 18 August 2023 (Friday), being the record date for determining shareholders' entitlement to the proposed final dividend. Including the interim dividend of HK2.80 cents per Share paid on 29 December 2022, the total dividend for FY2023 amounts to HK5.18 cents per Share (FY2022: HK3.88 cents per Share). The details of final dividend of the Company are set out in note 9 to the consolidated financial statements of this annual report.

In addition to the payment of the final dividend for the year ended 31 March 2023, the Board also recommends to distribute 492,259,244 JBM Healthcare Shares indirectly held by the Company through JBM Group BVI as a special dividend in the form of distribution in specie on the basis of 509 JBM Healthcare Shares for every 2,000 Shares held by a qualifying shareholder, subject to the approval of shareholders of the Company at the 2023 AGM to be held on 1 August 2023 (Tuesday), to the qualifying shareholders whose names appear on the register of members of the Company on 18 August 2023 (Friday), being the record date for determining shareholders' entitlement to the proposed special dividend. Based on the published closing price of HK$1.09 per JBM Healthcare Share on 15 June 2023, the special dividend represents a distribution of approximately HK27.74 cents per Share. The details of the special dividend of the Company are set out in note 9 to the consolidated financial statements of this annual report.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, is set out on page 121 of this annual report. This summary does not form part of the audited financial statements.

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES

The reserves available for distribution to the shareholders by the Company at 31 March 2023 consisted of share premium, distributable reserves and retained earnings totaling HK$1,916,141,000 (31 March 2022: HK$2,033,419,000). Movements in the reserves of the Company and the Group during the year are set out in note 25 to the consolidated financial statements on page 107 and the Consolidated Statement of Changes in Equity on page 60 of this annual report respectively.

BORROWINGS

Particulars of borrowings of the Group as at 31 March 2023 are set out in note 22 to the consolidated financial statements of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DIRECTORS

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

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

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

In accordance with the provisions of the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. All Directors appointed by the Board shall then be eligible for re-election at the annual general meeting. At the 2023 AGM, Mr. Sum Kwong Yip, Derek, Mr. Young Chun Man, Kenneth and Professor Lam Sing Kwong, Simon will retire and, being eligible, will offer themselves for re-election.

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

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

CHANGE OF INFORMATION ON DIRECTORS

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

(a) **Mr. Sum Kwong Yip, Derek**, an executive Director, chairman of the Board and the chief executive officer of the Company, whose annual salary, allowances and benefits in kind was revised from HK$3,474,000 to HK$4,326,000 with effect from 1 April 2023.

(b) **Mr. Yim Chun Leung**, an executive Director, has resigned as an independent non-executive director of China New City Commercial Development Limited (stock code: 1321) with effect from 17 February 2023, and ceased to be a fellow of the Institute of Chartered Accountants in England and Wales. His director's fee was revised from HK$2,640,000 to HK$2,732,400 per annum with effect from 1 January 2023.

(c) **Ms. Pun Yue Wai**, an executive Director, whose director's fee was revised from HK$1,200,000 to HK$1,320,000 per annum with effect from 1 January 2023.

(d) **Professor Lam Sing Kwong, Simon**, an independent non-executive Director, has resigned as an independent non-executive director of Sinomax Group Limited (a company listed on the Main Board, stock code: 1418) with effect from 12 June 2023.

DIRECTORS' BIOGRAPHIES

(A) EXECUTIVE DIRECTORS

Mr. Sum Kwong Yip, Derek, aged 60, is the founder of the Group. Mr. Sum has been appointed as an executive Director, chairman of the Board and the chief executive officer of the Company since 1 April 2016, chairman of the Executive Committee since 22 November 2017 and chairman of scientific advisory committee of the Company since 10 April 2016. He has also been appointed as the chairman of the Award Committee established for the purpose of the Share Award Scheme. He is the director of the substantial shareholders (namely Queenshill and Kingshill) and a controlling shareholder (namely Kingshill) of the Company, and certain subsidiaries of the Group. He is mainly responsible for the overall strategic planning and operation management of the Group. He also spearheads the planning of our product development and technological research functions. Mr. Sum joined the Group in September 1998 as managing director, mainly responsible for business management and strategic development. Mr. Sum has over 35 years of sales and corporate management experience in the pharmaceutical industry.

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

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

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

Mr. Yim Chun Leung ("Mr. Yim"), aged 61, has been appointed as an executive Director since 1 April 2016, a member of the Nomination Committee since 21 September 2016, a member of the Executive Committee since 22 November 2017 and a member of the ESG Committee with effect from 29 June 2022. He is also a member of the Award Committee established for the purpose of the Share Award Scheme. Mr. Yim was a company secretary of the Company from 1 July 2019 to 31 March 2021. He is also a director of certain subsidiaries of the Group. Mr. Yim joined the Group as an independent non-executive director of Jacobson Pharma Group (BVI) Limited in September 2008. Mr. Yim is mainly responsible for corporate management, strategic development and investor relationship functions of the Group. Mr. Yim has over 38 years of experience in the auditing, accounting and corporate finance fields.

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

Mr. Yim has served in numerous companies listed on the Main Board. From May 2014 to February 2023, he served as an independent non-executive director of China New City Commercial Development Limited (stock code: 1321). He served as an executive director of LVGEM (China) Real Estate Investment Company Limited (formerly known as New Heritage Holdings Ltd., stock code: 95) from December 2004 and its chief executive officer from July 2014, respectively until he resigned in March 2016. From May 2002 to June 2004, Mr. Yim served as the financial controller of Soundwill Holdings Limited (stock code: 878). From December 2000 to February 2002, Mr. Yim served as the chief financial officer of Sinolink Worldwide Holdings Limited (stock code: 1168). From January 1998 to April 1999, Mr. Yim served as an executive director of N P H International Holdings Limited (now known as Concord New Energy Group Limited, stock code: 182). From January 1994 to January 1998, Mr. Yim served as the finance director of Tysan Holdings Limited (stock code: 687). From June 1987 to December 1993, Mr. Yim worked at GPI International Limited (a subsidiary of Gold Peak Industries (Holdings) Limited, stock code: 40) and his last position was assistant financial controller.

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

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

Ms. Pun Yue Wai ("Ms. Pun"), aged 71, has been appointed as an executive Director, a member of the Remuneration Committee since 1 February 2017 and a member of the Executive Committee since 22 November 2017. She is also a director of certain subsidiaries of the Group and a vice president of the Company and is mainly in charge of the administration function of the Group. Ms. Pun has joined the Group since August 1998 and is one of the longest-serving employees of the Group. Since joining the Group, Ms. Pun has held various management positions within the Group.

DIRECTORS' BIOGRAPHIES (Continued)

(B) NON-EXECUTIVE DIRECTOR

Professor Wong Chi Kei, Ian ("Professor Wong"), aged 55, has been re-designated from an independent non-executive Director to a non-executive Director since 14 January 2022 and has been a member of the scientific advisory committee of the Company since 10 April 2016. Professor Wong was an independent non-executive Director, the chairman of the Nomination Committee and a member of the Audit Committee from 1 December 2017 to 13 January 2022. Professor Wong is the holder of Lo Shiu Kwan Kan Po Ling Endowed Professorship in Pharmacy and the Head of Department of Pharmacology and Pharmacy, The University of Hong Kong. He is also a member of the Pharmacy and Poisons Board of Hong Kong for a term of two years between 2021 and 2023. Prior to his current appointment, Professor Wong was a member of the Pharmacy and Poisons Board of Hong Kong between 2012 and 2015, and 2019 and 2021. Professor Wong was the Head of Research Department of Practice and Policy at the University College London School of Pharmacy between 2015 and 2018. He was the founding director of the Centre for Paediatric Pharmacy Research between 2002 and 2011, at The School of Pharmacy, University College London Institute of Child Health, University of London and Great Ormond Street Hospital for Children.

As a recipient of the United Kingdom Department of Health Public Health Career Scientist Award in 2002, Professor Wong is the only pharmacist to date to have received such an award in the United Kingdom. He also received the Chemist and Druggist's Pharmacy Practice Research Medal in 2004 for his research in paediatric medicines. In recognition of his work in paediatric medicines research, Professor Wong was awarded an Honorary Fellowship of the Royal College of Paediatrics and Child Health in 2011, and Fellowships of the Royal Pharmaceutical Society, the British Pharmacological Society and the Faculty of Public Health, Royal Colleges of Physicians of the United Kingdom in 2012, 2019 and 2021, respectively.

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

In association with the University College London School of Pharmacy, University College London Institute Child Health, Great Ormond Street Hospital for Children and some other investors, Professor Wong set up Therakind Ltd in 2007. Therakind Ltd is a private European pharmaceutical company specialising in research and development of medicines for children.

(C) INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lam Kwing Tong, Alan ("Dr. Lam"), aged 60, has been appointed as an independent non-executive Director since 30 August 2016, the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee respectively since 21 September 2016. Dr. Lam has been running his private general dental practice in Hong Kong since 1998. Prior to that, Dr. Lam started his own dental practice in April 1989 in London and he sold his dental business in April 1994.

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

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

DIRECTORS' BIOGRAPHIES (Continued)

(C) INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. Young Chun Man, Kenneth ("Mr. Young"), aged 59, has been appointed as an independent non-executive Director since 30 August 2016, the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee respectively since 21 September 2016. He has also been appointed as the chairman of the Nomination Committee since 14 January 2022. Mr. Young is the founder and was a director of AITIA (HK) CPA LIMITED, a member of TGS Global, since January 2015 and resigned as its director with effect from 4 April 2022. Mr. Young was mainly responsible for developing strategies for the growth of the practice, and to implement proper governance and risk management. He has over 30 years of professional experience in audit and accounting fields. He was a partner at HLB Hodgson Impey Cheng (formerly known as Hodgson Impey Cheng) from September 1994 to March 2011. Mr. Young was an independent non-executive director of China Tonghai International Financial Limited (formerly known as Quam Limited and China Oceanwide International Financial Limited, stock code: 952), the issued shares of which are listed on the Main Board, since September 2012 until February 2017. He has also been serving as a member of the audit committee and a council member of SAHK (香港耀能協會), a charitable organisation, since 2013 and 2015, respectively.

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

Professor Lam Sing Kwong, Simon ("Professor Lam"), aged 64, has been re-designated from a non-executive Director to an independent non-executive Director since 1 November 2021 and has been appointed as a member of the Audit Committee and the chairman of Risk Management Committee since 1 August 2020. Since 29 June 2022, he has also been appointed as the chairman of the ESG Committee. Professor Lam was a non-executive Director from 11 April 2016 to 31 October 2021 prior to his re-designation. Professor Lam is mainly responsible for advising the Board on corporate strategies and governance development. Professor Lam is currently a professor of Management and Strategy at the Faculty of Business and Economics of The University of Hong Kong. Professor Lam obtained a doctorate degree in commerce from the Faculty of Economics and Commerce at the Australian National University in April 1996. Professor Lam has published a number of academic papers and case analyses on the topics of corporate strategy, organisation development and operations management. He has extensive experience in corporate management, strategic development of organisations and corporate finance.

Professor Lam is currently an independent non-executive director of Overseas Chinese Town (Asia) Holdings Limited (stock code: 3366), Kwan On Holdings Limited (stock code: 1559) and Qingci Games Inc. (stock code: 6633). He was also an independent non-executive director of Sinomax Group Limited (stock code: 1418) from March 2014 to June 2023. Wives of Professor Lam and Mr. Yim Chun Leung, an executive Director, are sisters.

DIRECTORS' EMOLUMENTS

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

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

Other than the Logistics Services Agreement, Manufacturing Services Agreement and Overseas Sales Administrative Services Agreement (each as defined in the paragraph headed "Continuing Connected Transactions" of this report), no transactions, arrangements and contracts that were significant in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which any Director or the Director's connected entity or any of the Controlling Shareholders (or any of their subsidiaries) had a material interest, whether directly or indirectly, subsisted at the end of FY2023 or at any time during FY2023.

INTERESTS IN COMPETING BUSINESS

As at 31 March 2023, none of the Directors is interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a renewed term of three years from 1 April 2022, except Ms. Pun Yue Wai, whose renewed term is for two years from 1 February 2023, all of which may be terminated by either party giving to the other party not less than three months' notice in writing. Each of the non-executive Directors, including the independent non-executive Directors, has entered into a letter of appointment with the Company for a term of three years from 30 August 2022, except Professor Wong Chi Kei, Ian, whose letter of appointment with the Company is for a renewed term of three years from 1 December 2020, all of which may be terminated earlier by either party serving on the other party not less than one month's notice in writing.

None of the Directors proposed for re-election at the 2023 AGM is a party to any service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

MANAGEMENT CONTRACTS

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

EQUITY-LINKED AGREEMENTS

SHARE OPTION SCHEME

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

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

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

The life of the Share Option Scheme is ten years commencing on 30 August 2016 and expiring on 29 August 2026. As at 31 March 2023, the maximum number of Shares 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 as at the date of this annual report.

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

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

The 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 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 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 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.

Since the effective date of the Share Option Scheme and up to 31 March 2023, 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 1 April 2022 and 31 March 2023, there were no share options outstanding under the Share Option Scheme.

EQUITY-LINKED AGREEMENTS (Continued)

SHARE AWARD SCHEME

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

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

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

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

Unless otherwise terminated or altered, the Share Award Scheme should be valid and effective for a period of ten years commencing from 16 October 2018. Pursuant to the Share Award Scheme, the Trustee will purchase existing Shares 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 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 (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). Details of the rules of the Share Award Scheme were set out in the announcement of the Company dated 16 October 2018.

EQUITY-LINKED AGREEMENTS (Continued)

SHARE AWARD SCHEME (Continued)

During the Reporting Period, the Trustee purchased 31,756,000 existing Shares from the market. There is no share available for issue under the Share Award Scheme as they are funded by existing Shares only. As at 31 March 2023, 26,400,000 Shares were held by the Trustee. During the Reporting Period, no share was issued to the Trustee under the Share Award Scheme, and 24,900,000 awarded shares were granted to certain selected participants under the Share Award Scheme. Details of which are as follows:

			Number of awarded shares							
Grantees	**Date of grant**	**Purchase price[3]** HK$	**Balance as at 1 April 2022**	**Granted during the Reporting Period**	**Vested during the Reporting Period**	**Lapsed/ Cancelled during the Reporting Period**	**Balance as at 31 March 2023**	**Vesting date**	**Closing price per Share immediately before the grant date** HK$	**Fair value of awards at the grant date[2]** HK$
Directors										
Mr. Sum	11 April 2022	–	–	2,700,000	(2,700,000)	–	–	31 May 2022	0.68	0.65
	1 December 2022	–	–	6,900,000	(6,900,000)	–	–	18 January 2023	0.89	0.87
Mr. Yim Chun Leung	11 April 2022	–	–	1,600,000	(1,600,000)	–	–	31 May 2022	0.68	0.65
	1 December 2022	–	–	4,000,000	(4,000,000)	–	–	18 January 2023	0.89	0.87
Ms. Pun Yue Wai	11 April 2022	–	–	1,700,000	(1,700,000)	–	–	31 May 2022	0.68	0.65
	1 December 2022	–	–	2,000,000	(2,000,000)	–	–	18 January 2023	0.89	0.87
Five highest paid individuals[1]	11 April 2022	–	–	7,550,000	(7,550,000)	–	–	31 May 2022	0.68	0.65
	1 December 2022	–	–	12,900,000	(12,900,000)	–	–	18 January 2023	0.89	0.87
		–	–	1,000,000	(1,000,000)	–	–	1 March 2023	0.89	0.87
		–	–	1,000,000	–	–	1,000,000	1 December 2023	0.89	0.87
Other eligible employees	11 April 2022	–	–	2,450,000	(2,450,000)	–	–	31 May 2022	0.68	0.65

Notes:

(1) The five highest paid individuals for the Reporting Period includes the three existing executive Directors.

(2) The fair value of the awarded shares was determined based on the published closing price of the Shares at the date of grant. The Group has adopted the accounting standard in accordance with HKFRS 2 – Share-based Payment and for the details of accounting policy applied, please refer to note 1 to the consolidated financial statements contained in this annual report.

(3) Pursuant to the Share Award Scheme, there is no amount payable on application or acceptance of the awards and no purchase price of the awards.

(4) There are no performance targets attached to the awards granted during the Reporting Period.

The weighted average closing price per Share immediately before the dates on which the awards that were vested during the Reporting Period was HK$0.80 per share.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

DEED OF NON-COMPETITION

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

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

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

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

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

The Remaining Covenantors confirmed that they have complied with the Deed of Non-competition for FY2023. The independent non-executive Directors have conducted a review for FY2023 and also reviewed the relevant undertakings and are satisfied that the Deed of Non-competition has been fully complied.

PERMITTED INDEMNITY PROVISION

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

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

As at 31 March 2023, 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	1,178,888,000	60.94%	Long position
Mr. Yim	Beneficial owner	35,420,000	1.83%	Long position
Ms. Pun	Beneficial owner	5,910,000	0.30%	Long position
Dr. Lam	Interests of spouse	600,000	0.03%	Long position

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

(I) INTERESTS IN SHARES OF THE COMPANY (Continued)

Note:

(1) Mr. Sum is the registered and beneficial owner of 11,600,000 Shares. Queenshill, a company wholly-owned by Mr. Sum, also held 308,404,000 Shares. 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. 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 (personally and through being discretionary beneficiaries of 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. In addition, 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 the wholly-owned company under The Queenshill Trust, further holds 8,200,000 Shares. By virtue of the SFO, Mr. Sum, as the settlor and a discretionary beneficiary of The Queenshill Trust, 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	642,260,375	70.29%	Long position
Mr. Yim	Beneficial owner	3,727,500	0.40%	Long position
Ms. Pun	Beneficial owner	276,250	0.03%	Long position
Dr. Lam	Interests of spouse	58,750	0.01%	Long position

Note:

(1) Mr. Sum is the registered and beneficial owner of 250,000 shares in JBM Healthcare. Queenshill holds 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 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 782,000 shares in JBM Healthcare. In addition, Mr. Sum was granted 6,000,000 awarded shares by JBM Healthcare on 30 March 2023 pursuant to the share award scheme adopted by JBM Healthcare on 18 January 2021.

The Company is owned as to approximately 43.98%, 15.94%, 0.42% and 0.60% 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, Queenshill and The Queenshill Trust are interested.

Save as disclosed above, so far as known to any Directors as at 31 March 2023, none of the Directors or chief executive of the Company or any of their close associates had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which they were taken or deemed to have under such provisions of the SFO, or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to section 347 of the SFO and the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 31 March 2023, 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	1,178,888,000	60.94%	Long position
Yunnan Baiyao Group[5]	Beneficial owner	200,000,000	10.34%	Long position
Longjin[6]	Beneficial owner	157,050,000	8.11%	Long position
Mr. Lau[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. 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 (personally and through being discretionary beneficiaries of 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 11,600,000 Shares.

(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 the wholly-owned company under The Queenshill Trust, further holds 8,200,000 Shares. By virtue of the SFO, Mr. Sum, as the settlor and a discretionary beneficiary of The Queenshill Trust, 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 Shares at the subscription price of HK$2.06 per Share, 200,000,000 new Shares were issued to Yunnan Baiyao on 3 September 2018. For details of the subscription and issuance of 200,000,000 new 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 is owned as to 75% by Mr. Lau. By virtue of the SFO, Mr. Lau is deemed to be interested in the 157,050,000 Shares held by Longjin.

Save as disclosed above, as at 31 March 2023, the Directors are not aware of any other person (other than Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

* *For identification purpose only*

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 annual report and included conditions relating to specific performance of a 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.

CONNECTED TRANSACTIONS

During the Reporting Period, members of the Group have entered into the following connected transactions which are not exempted from the annual reporting requirement under Chapter 14A of the Listing Rules:

1. On 6 June 2022, Jacobson Group Treasury Limited ("**JGT**") (an indirect wholly-owned subsidiary of the Company) and JBM Healthcare entered into a loan agreement (the "**Loan Agreement**"), pursuant to which JGT agreed to grant to JBM Healthcare a loan facility in the amount of up to HK$60,000,000 (the "**Loan Facility**") for the purpose of financing or refinancing JBM Healthcare's general working capital. On 25 October 2022, JGT and JBM Healthcare entered into an amendment agreement (the "**Amendment Agreement**") to vary the terms of the Loan Agreement by increasing the maximum principal amount of the Loan Facility from HK$60,000,000 to HK$82,500,000 (the "**Revised Loan Facility**"). On 26 October 2022, JGT and JBM Healthcare entered into a second amendment agreement (the "**Second Amendment Agreement**") to vary the terms of the Loan Agreement (as amended and supplemented by the Amendment Agreement) by revising the maximum principal amount of the Revised Loan Facility from HK$82,500,000 to HK$80,000,000 (the "**Further Revised Loan Facility**"). As JBM Healthcare is a connected subsidiary, and therefore a connected person, of the Company, and the provision of the Further Revised Loan Facility by JGT to JBM Healthcare constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

   Details on the Loan Agreement (as amended and supplemented by the Amendment Agreement and the Second Amendment Agreement) were set out in the announcements of the Company dated 6 June 2022, 25 October 2022 and 26 October 2022.

CONNECTED TRANSACTIONS (Continued)

2. On 18 July 2022, Jacobson Pharma Group (BVI) Limited (雅各臣藥業集團有限公司) (the "**Subscriber**") (a wholly-owned subsidiary of the Company), Professor Wong (a non-executive Director) and OCUS Innovation Limited (奧視科創有限公司) ("**OCUS**") (a company incorporated in the British Virgin Islands with limited liability and held as to 80.1% by Professor Wong and 19.9% by the Subscriber as at 18 July 2022) entered into a subscription and shareholders' agreement (the "**Subscription and Shareholders' Agreement**"), pursuant to which the Subscriber (as lender and subscriber) agreed to advance a shareholder's loan (the "**Shareholder's Loan**") in the aggregate principal amount of not less than US$1,500,000 but not more than US$7,000,000 to OCUS (as borrower and issuer) with the right of loan capitalisation (the "**Loan Capitalisation**"), where OCUS will allot and issue such number of new shares of OCUS, together with the existing shares of OCUS owned by the Subscriber, representing 80.0% of the issued shares of OCUS immediately after completion of the Loan Capitalisation on a fully-diluted basis to the Subscriber (or its nominee) upon request by the Subscriber and subject to the terms and conditions of the Subscription and Shareholders' Agreement. All proceeds of the Shareholder's Loan shall be applied towards the development and operation of the business of OCUS and its subsidiaries.

   Immediately after completion of the Loan Capitalisation and assuming there have not been any changes to the shareholding of OCUS since 18 July 2022, OCUS will be held as to 80.0% by the Subscriber and 20.0% by Professor Wong. OCUS will therefore become a subsidiary of the Company and its financial results will be consolidated into the consolidated financial statements of the Company after completion of the Loan Capitalisation.

   Professor Wong is a non-executive Director, and hence, a connected person of the Company. OCUS is held as to 80.1% by Professor Wong and 19.9% by the Subscriber, and hence, OCUS is an associate of Professor Wong and a connected person of the Company. Accordingly, the Subscription and Shareholders' Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

   Details of the provision of Shareholder's Loan to OCUS and potential subscription of new shares in OCUS by way of Loan Capitalisation were set out in the announcement and supplemental announcement of the Company dated 18 July 2022 and 28 July 2022 respectively.

CONTINUING CONNECTED TRANSACTIONS

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

(I) LOGISTICS SERVICES AGREEMENT

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

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

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

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

The annual cap of charges and service fees under the Logistics Services Agreement for the year ended 31 March 2023 was HK$6,500,000. The charges and service fees paid by JBM Healthcare Group pursuant to the Logistics Services Agreement during the Reporting Period amounted to HK$3,024,000 (FY2022: HK$3,416,000).

CONTINUING CONNECTED TRANSACTIONS (Continued)

(I) LOGISTICS SERVICES AGREEMENT (Continued)

The Logistics Services Agreement expired on 31 March 2023. Prior to its expiration, on 3 March 2023, our Company (on behalf of our subsidiaries excluding JBM Healthcare Group) entered into a new logistics services agreement (the "**2023 Logistics Services Agreement**") with JBM Healthcare (on behalf of its subsidiaries) for the continual carrying on the transactions contemplated thereunder after the expiry of the Logistics Services Agreement. The 2023 Logistics Services Agreement has a term of three years, commencing on 1 April 2023 and ending on 31 March 2026, and is renewable upon expiry at the discretion of the parties thereto on terms to be agreed by them. The annual caps of charges and service fees under the 2023 Logistics Services Agreement for the financial years ending 31 March 2024, 2025 and 2026 are HK$5,000,000, HK$6,000,000 and HK$7,000,000 respectively.

Details on the 2023 Logistics Services Agreement have been disclosed in the joint announcement of the Company and JBM Healthcare dated 3 March 2023.

(II) MANUFACTURING SERVICES AGREEMENT

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

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

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

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

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

The annual cap of manufacturing services fees of the Selected Generic Drugs under the Manufacturing Services Agreement for the year ended 31 March 2023 was HK$3,500,000. The manufacturing services fees paid by the Jacobson Connected Persons pursuant to the Manufacturing Services Agreement during the Reporting Period amounted to HK$2,342,000 (FY2022: HK$1,956,000).

The annual cap of manufacturing services fees of the Dr. Freeman Products under the Manufacturing Services Agreement for the year ended 31 March 2023 was HK$6,500,000. The manufacturing services fees paid by JBM Healthcare Group pursuant to the Manufacturing Services Agreement during the Reporting Period amounted to HK$270,000 (FY2022: HK$247,000).

CONTINUING CONNECTED TRANSACTIONS (Continued)

(II) MANUFACTURING SERVICES AGREEMENT (Continued)

The Manufacturing Services Agreement expired on 31 March 2023. Prior to its expiration, on 3 March 2023, our Company (on behalf of our subsidiaries excluding JBM Healthcare Group) entered into a new manufacturing services agreement (the "**2023 Manufacturing Services Agreement**") with JBM Healthcare (on behalf of its subsidiaries), pursuant to which (i) JBM Healthcare Group shall continue to provide manufacturing services of Selected Generic Drugs to the Jacobson Connected Persons and (ii) the Jacobson Connected Persons shall provide manufacturing services of branded healthcare products, such as antiseptic hand rubs, antiseptic alcohol, lotion and mouthwash, cough syrup and capsules for cough and nasal congestion (the "**Branded Healthcare Products**") to the JBM Healthcare Group, after the expiry of the Manufacturing Services Agreement. The 2023 Manufacturing Services Agreement has a term of three years, commencing on 1 April 2023 and ending on 31 March 2026, and is renewable upon expiry at the discretion of the parties thereto on terms to be agreed by them.

The annual caps of manufacturing service fees of the Selected Generic Drugs under the 2023 Manufacturing Services Agreement for the financial years ending 31 March 2024, 2025 and 2026 are HK$3,500,000, HK$3,500,000 and HK$3,500,000 respectively.

The annual caps of manufacturing service fees of the Branded Healthcare Products under the 2023 Manufacturing Services Agreement for the financial years ending 31 March 2024, 2025 and 2026 are HK$3,000,000, HK$4,000,000 and HK$5,000,000 respectively.

Details on the 2023 Manufacturing Services Agreement have been disclosed in the joint announcement of the Company and JBM Healthcare dated 3 March 2023.

(III) OVERSEAS SALES ADMINISTRATIVE SERVICES AGREEMENT

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

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

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

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

The annual cap of service fees under the Overseas Sales Administrative Services Agreement for the year ended 31 March 2023 was HK$4,500,000. The service fees paid by JBM Healthcare Group pursuant to the Overseas Sales Administrative Services Agreement during the Reporting Period amounted to HK$707,000 (FY2022: HK$883,000).

The Overseas Sales Administrative Services Agreement expired on 31 March 2023. Prior to its expiration, on 3 March 2023, our Company (on behalf of our subsidiaries excluding JBM Healthcare Group) entered into a new overseas sales administrative services agreement (the "**2023 Overseas Sales Administrative Services Agreement**") with JBM Healthcare (on behalf of its subsidiaries) for the continue carrying on the provision of the overseas sales administrative services in Macau (including but not limited to orders management, sales and customers support services) by the Group to JBM Healthcare Group, after the expiry of the Overseas Sales Administrative Services Agreement. The 2023 Overseas Sales Administrative Services Agreement has a term of three years, commencing on 1 April 2023 and ending on 31 March 2026, and is renewable upon expiry at the discretion of the parties thereto on terms to be agreed by them. The annual caps of charges and service fees under the 2023 Overseas Sales Administrative Services Agreement for the financial years ending 31 March 2024, 2025 and 2026 are HK$3,000,000, HK$3,500,000 and HK$4,000,000 respectively.

Details on the 2023 Overseas Sales Administrative Services Agreement have been disclosed in the joint announcement of the Company and JBM Healthcare dated 3 March 2023.

CONTINUING CONNECTED TRANSACTIONS (Continued)

As at the date of this annual report, (i) JBM Healthcare is owned as to approximately 53.96% by JBM Group BVI, (ii) JBM Group BVI is a direct wholly-owned subsidiary of the Company. Mr. Sum, an executive Director and a substantial shareholder of the Company, is interested in approximately 17.11% of the issued share capital of JBM Healthcare (other than through his interests in the Company) comprising of (a) approximately 11.63% of the issued share capital of JBM Healthcare through Lincoln's Hill, which is wholly-owned by Trust Co under The Kingshill Trust, a discretionary trust established by Mr. Sum (as the settlor) with Mr. Sum and his family members as discretionary beneficiaries, (b) approximately 4.64% of the issued share capital of JBM Healthcare through Queenshill, which is wholly-owned by Mr. Sum, (c) approximately 0.68% of the issued share capital of JBM Healthcare in the capacity of beneficial owner, and (d) approximately 0.16% of the issued share capital of JBM Healthcare through a wholly-owned company under The Queenshill Trust, a discretionary trust established by Mr. Sum (as the settlor) with Mr. Sum and his family members as discretionary beneficiaries. By virtue of Rule 14A.16 of the Listing Rules, JBM Healthcare is therefore a connected subsidiary of the Company. As such, transactions contemplated under each of the abovementioned Logistics Services Agreement, Manufacturing Services Agreement and Overseas Sales Administrative Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

The independent non-executive Directors have reviewed the continuing connected transactions under each of the Logistics Services Agreement, Manufacturing Services Agreement and Overseas Sales Administrative Services Agreement for the year ended 31 March 2023 (the "**Transactions**") and confirmed that the Transactions have been entered into: (i) in the ordinary and usual course of the Group's business; (ii) on normal commercial terms or better; and (iii) in accordance with the terms of the respective agreements governing such transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing the auditor's findings and conclusions in respect of the Transactions in accordance with Rule 14A.56 of the Listing Rules and confirming that nothing has come to its attention that causes it to believe that the Transactions (1) have not been approved by the Board; (2) were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods and services by the Group; (3) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (4) have exceeded the relevant annual caps as set by the Company, and a copy of the auditors' letter has been provided by the Company to the Stock Exchange.

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

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, the aggregate revenue attributable to the Group's five largest customers was 34.4% (FY2022: 43.9%) of the total revenue. The largest customer accounted for 43.6% (FY2022: 35.7%) of the Group's revenue.

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

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

REMUNERATION POLICY

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

RETIREMENT BENEFIT SCHEMES

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

CHARITABLE DONATION

During the Reporting Period, the Group did not make any charitable donations (FY2022: Nil).

AUDITOR

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the 2023 AGM. There has been no change of auditor in the past three years.

On behalf of the Board

Sum Kwong Yip, Derek
Chairman
Hong Kong, 15 June 2023

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Jacobson Pharma Corporation Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 58 to 119, which comprise the consolidated statement of financial position as at 31 March 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matter

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

Assessing potential impairment of intangible assets

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

The Key Audit Matter	How the matter was addressed in our audit
The carrying value of the Group's intangible assets as at 31 March 2023 totalled HK$1,320.1 million, which included goodwill of HK$450.6 million and trademarks with indefinite useful life of HK$389.5 million. Management allocates intangible assets, including goodwill, to separately identifiable cash generating units ("**CGUs**") and assesses if there are any indications of impairment of these CGUs. For goodwill, intangible assets with indefinite useful lives and intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there are any indications of impairment. For intangible assets with useful lives, management assesses if there are any indicators of impairment of those CGUs. If any indicators of impairment are identified, management will estimate the recoverable amounts of the CGUs. Recoverable amount of a CGU is the higher of value-in-use and fair value less costs of disposals of the related assets. Value-in-use is determined based on the discounted cash flow forecasts. Management exercises significant judgement in determining certain key assumptions, including revenue growth rates, gross margins and the discount rates applied, when preparing the discounted cash flow forecasts. We identified assessing potential impairment of intangible assets as a key audit matter because of the significance of intangible assets to the Group's total assets and because the assessment of potential impairment of intangible assets requires significant management judgement, particularly in estimating the future cash flows, which may be inherently uncertain, and in determining an appropriate discount rates, which could be subject to management bias.	Our audit procedures to assess the potential impairment of intangible assets included the following: • evaluating management's identification of CGUs and the allocation of assets to each relevant CGU and assessing the methodology applied by management in its impairment assessments with reference to the requirements of the prevailing accounting standards; • challenging the revenue growth rates and gross margins adopted by management in its preparation of the discounted cash flow forecasts by referring to industry and other available third party information, the recent financial performance of each relevant CGU subject to impairment assessment and management's plans for future operations; • assessing the discount rates used in the discounted cash flow forecasts by benchmarking against other comparable companies and considering the risks specific to each relevant CGU subject to impairment assessment; • obtaining from management sensitivity analyses of the key assumptions, including revenue growth rates, gross margins and the discount rates, adopted in the discounted cash flow forecasts to evaluate the impact on the headroom for each relevant CGU subject to impairment assessment and assessing the impact of changes in the key assumptions to the conclusions reached and whether there are any indicators of management bias; • comparing the key assumptions included in the discounted cash flow forecasts prepared in the prior year with the current year's performance of each relevant CGU subject to impairment assessment and making enquiries of management as to the reasons for any significant variations identified, to assess whether the judgement made by management in the preparation of the discounted cash flow forecasts in the prior year indicated possible management bias; and • assessing the reasonableness of the disclosures in the consolidated financial statements in respect of management's impairment assessment with reference to the requirements of the prevailing accounting standards.

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

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

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

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
15 June 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Note	Year ended 31 March 2023 HK$'000	2022 HK$'000
Revenue	2	**1,785,579**	1,595,543
Cost of sales		**(1,038,407)**	(975,021)
Gross profit		**747,172**	620,522
Other net income	3	**91,658**	40,499
Selling and distribution expenses		**(196,723)**	(184,087)
Administrative and other operating expenses		**(231,347)**	(216,046)
Profit from operations		**410,760**	260,888
Finance costs	4(A)	**(67,445)**	(25,687)
Share of losses of associates		**(2,842)**	(3,555)
Share of losses of joint ventures		**(718)**	(213)
Profit before taxation	4	**339,755**	231,433
Income tax	5(A)	**(56,546)**	(43,728)
Profit for the year		**283,209**	187,705
Other comprehensive income for the year			
Item that will not be reclassified subsequently to profit or loss, net of nil tax:			
Revaluation of financial assets at fair value through other comprehensive income		**110,740**	(26,117)
Item that may be reclassified subsequently to profit or loss, net of nil tax:			
Exchange differences on translation of financial statements of operations outside Hong Kong		**(2,683)**	375
Other comprehensive income for the year		**108,057**	(25,742)
Total comprehensive income for the year		**391,266**	161,963
Profit attributable to:			
Equity shareholders of the Company		**251,044**	177,666
Non-controlling interests		**32,165**	10,039
Total profit for the year		**283,209**	187,705
Total comprehensive income attributable to:			
Equity shareholders of the Company		**359,101**	151,924
Non-controlling interests		**32,165**	10,039
Total comprehensive income for the year		**391,266**	161,963
		HK cents	HK cents
Earnings per share	8		
Basic and diluted		**13.13**	9.27

The notes on pages 62 to 119 form part of these financial statements. Details of dividends payable to shareholders of the Company attributable to the profit for the year are set out in note 9.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	Note	As at 31 March 2023 HK$'000	2022 HK$'000
Non-current assets			
Investment properties	10	**181,172**	230,472
Property, plant and equipment	10	**1,502,148**	1,503,773
Intangible assets	11	**1,320,075**	1,303,177
Interests in associates	13	**51,821**	53,929
Interests in joint ventures	14	**3,616**	4,334
Other non-current assets	15	**39,693**	58,688
Other financial assets	18	**514,330**	412,766
Deferred tax assets	23	**10,231**	10,156
		3,623,086	3,577,295
Current assets			
Inventories	16	**368,003**	314,557
Trade and other receivables	17	**351,360**	380,546
Current tax recoverable		**1,632**	4,489
Cash and cash equivalents	19	**1,036,418**	478,653
		1,757,413	1,178,245
Current liabilities			
Trade and other payables and contract liabilities	20	**283,653**	159,411
Bank loans	22	**309,554**	612,178
Lease liabilities	21	**34,823**	33,970
Current tax payable		**28,405**	20,825
		656,435	826,384
Net current assets		**1,100,978**	351,861
Total assets less current liabilities		**4,724,064**	3,929,156
Non-current liabilities			
Bank loans	22	**1,234,153**	729,472
Lease liabilities	21	**20,534**	34,319
Deferred tax liabilities	23	**212,855**	207,400
		1,467,542	971,191
NET ASSETS		**3,256,522**	2,957,965
CAPITAL AND RESERVES			
Share capital	24	**19,078**	19,157
Reserves	26	**2,717,611**	2,472,159
Total equity attributable to equity shareholders of the Company		**2,736,689**	2,491,316
Non-controlling interests		**519,833**	466,649
TOTAL EQUITY		**3,256,522**	2,957,965

Approved and authorised for issue by the Board on 15 June 2023.

Mr. Sum Kwong Yip, Derek
Director

Mr. Yim Chun Leung
Director

The notes on pages 62 to 119 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

		Attributable to equity shareholders of the Company									
	Note	Share capital (Note 24) HK$'000	Share premium (Note 26(A)) HK$'000	Shares for share award schemes (Note 28) HK$'000	Capital reserve (Note 26(B)) HK$'000	Exchange reserve (Note 26(C)) HK$'000	Fair value reserve (non-recycling) (Note 26(D)) HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 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 year		–	–	–	–	–	–	177,666	177,666	10,039	187,705
Other comprehensive income		–	–	–	–	375	(26,117)	–	(25,742)	–	(25,742)
Total comprehensive income for the year		–	–	–	–	375	(26,117)	177,666	151,924	10,039	161,963
Dividend approved in respect of the previous year	9(B)	–	–	–	–	–	–	(28,735)	(28,735)	–	(28,735)
Dividend declared in respect of the current year	9(A)	–	–	–	–	–	–	(22,988)	(22,988)	–	(22,988)
Dividends paid by subsidiaries attributable to non-controlling interests		–	–	–	–	–	–	–	–	(958)	(958)
Acquisition of non-controlling interests		–	–	–	1,267	–	–	–	1,267	(12,696)	(11,429)
Partial disposal of subsidiaries without loss of control		–	–	–	–	–	–	–	–	3	3
Realised gain on disposals of equity investments designated at FVOCI (non-recycling)		–	–	–	–	–	(24,908)	24,908	–	–	–
At 31 March 2022		19,157	999,895	(24,576)	134,104	6,960	(25,271)	1,381,047	2,491,316	466,649	2,957,965
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 year		–	–	–	–	–	–	251,044	251,044	32,165	283,209
Other comprehensive income		–	–	–	–	(2,683)	110,740	–	108,057	–	108,057
Total comprehensive income for the year		–	–	–	–	(2,683)	110,740	251,044	359,101	32,165	391,266
Dividend approved in respect of the previous year	9(B)	–	–	–	–	–	–	(50,998)	(50,998)	–	(50,998)
Dividend declared in respect of the current year	9(A)	–	–	–	–	–	–	(53,030)	(53,030)	–	(53,030)
Dividends paid by subsidiaries attributable to non-controlling interests		–	–	–	–	–	–	–	–	(2,751)	(2,751)
Issuance of new JBM Healthcare Shares in relation to acquisition of subsidiaries		–	–	–	3,192	–	–	–	3,192	16,008	19,200
Acquisition of non-controlling interests		–	–	–	332	–	–	–	332	(1,282)	(950)
Contributions from non-controlling interests		–	–	–	–	–	–	–	–	9,044	9,044
Employee share award schemes-value of employee services	4(B)	–	–	–	19,135	–	–	–	19,135	–	19,135
Realised loss on disposals of equity investments designated at FVOCI (non-recycling)		–	–	–	–	–	52,400	(52,400)	–	–	–
Shares acquired for the Share Award Scheme	28(A)	(318)	–	(26,754)	–	–	–	–	(27,072)	–	(27,072)
Shares vested for the Share Award Scheme	28(A)	239	–	26,387	(18,593)	–	–	(8,033)	–	–	–
Shares acquired for share award scheme of JBM Healthcare	28(C)	–	–	(5,287)	–	–	–	–	(5,287)	–	(5,287)
At 31 March 2023		19,078	999,895	(30,230)	138,170	4,277	137,869	1,467,630	2,736,689	519,833	3,256,522

The notes on pages 62 to 119 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2023

	Note	Year ended 31 March 2023 HK$'000	2022 HK$'000
Operating activities			
Cash generated from operations	19(B)	677,685	440,917
Income tax paid		(47,595)	(33,975)
Net cash generated from operating activities		630,090	406,942
Investing activities			
Payment for purchase of property, plant and equipment, intangible assets and other assets		(63,004)	(63,864)
Proceeds from disposals of property, plant and equipment		522	82
Proceeds from sale of other financial assets		10,000	73,545
Net cash inflow from acquisition of subsidiaries	27	1,859	–
Interest received		18,147	1,684
Payment for other financial assets		(823)	(50,578)
Payment for acquisition of non-controlling interests		(950)	(11,429)
Payment for investment in an associate		(734)	–
Increase in non-pledged time deposits with original maturity of over three months		(100,000)	–
Increase in amount due from a joint venture		–	(510)
Dividend received from an investment		–	1,132
Net cash used in investing activities		(134,983)	(49,938)
Financing activities			
Capital element of lease rentals paid	19(C)	(41,055)	(43,051)
Interest element of lease rentals paid	19(C)	(1,585)	(1,479)
Proceeds from bank loans	19(C)	1,560,000	967,000
Repayment of bank loans	19(C)	(1,346,650)	(1,203,469)
Other borrowing costs paid	19(C)	(77,153)	(24,208)
Dividends paid		(104,028)	(51,723)
Dividends paid to non-controlling interests		(2,751)	(958)
Capital contribution by non-controlling interests		9,044	–
Payment for shares held for the Share Award Scheme	28(A)	(27,072)	–
Payments for shares held for the share award scheme of JBM Healthcare	28(C)	(5,348)	–
Net cash used in financing activities		(36,598)	(357,888)
Net increase/(decrease) in cash and cash equivalents		458,509	(884)
Cash and cash equivalents at the beginning of the year	19(A)	478,653	480,350
Effect of foreign exchange rate changes		(744)	(813)
Cash and cash equivalents at the end of the year	19(A)	936,418	478,653
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		1,036,418	478,653
Less: Non-pledged time deposits with original maturity of over three months		(100,000)	–
		936,418	478,653

The notes on pages 62 to 119 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant Accounting Policies

(A) STATEMENT OF COMPLIANCE

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

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

(B) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 March 2023 comprise the Company and its subsidiaries and the Group's interests in associates and joint ventures.

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

(C) ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 34.

(D) BASIS OF MEASUREMENT

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

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

1 Significant Accounting Policies (Continued)

(E) CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements 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 these 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.

(F) SUBSIDIARIES AND NON-CONTROLLING INTERESTS

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

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

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

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

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

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

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

1 Significant Accounting Policies (Continued)

(G) ASSOCIATES AND JOINT VENTURES

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

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

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

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

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

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

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

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

(H) BUSINESS COMBINATIONS

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

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

1 Significant Accounting Policies (Continued)

(I) GOODWILL

Goodwill represents the excess of

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

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

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

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

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

(J) OTHER INVESTMENTS IN DEBT AND EQUITY SECURITIES

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

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

(i) Investments other than equity investments

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

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

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

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

(ii) Equity investments

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

1 Significant Accounting Policies (Continued)

(K) INVESTMENT PROPERTIES

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

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

(L) PROPERTY, PLANT AND EQUIPMENT

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

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

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

- Freehold land is not depreciated.
- Leasehold land and buildings are depreciated over the unexpired term of lease.
- Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

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

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

1 Significant Accounting Policies (Continued)

(M) INTANGIBLE ASSETS (OTHER THAN GOODWILL)

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

– Unpatented drugs	10–30 years
– Technology knowhow	25 years
– Customer relationship	10–20 years
– Capitalised development costs	30 years
– Software	5–10 years
– Distribution rights	Over the distribution agreement term of 3-15 years

Both the period and method of amortisation are reviewed annually.

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

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

1 Significant Accounting Policies (Continued)

(N) LEASED ASSETS

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

(i) As a lessee

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

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

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

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

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets and measured at amortised lost. Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

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

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

1 Significant Accounting Policies (Continued)

(N) LEASED ASSETS (Continued)

(ii) As a lessor

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

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

(O) CREDIT LOSSES AND IMPAIRMENT OF ASSETS

(i) Credit losses from financial instruments

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

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

Measurement of ECLs

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

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

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

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

ECLs are measured on either of the following bases:

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

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

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

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

1 Significant Accounting Policies (Continued)

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

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk

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

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

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

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

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

Basis of calculation of interest income

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

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

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

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

1 Significant Accounting Policies (Continued)

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

(i) Credit losses from financial instruments (Continued)

Write-off policy

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

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

(ii) Impairment of other non-current assets

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

- property, plant and equipment, including right-of-use assets;
- intangible assets;
- goodwill; and
- investment in subsidiaries in the Company's statement of financial position.

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

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

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

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

1 Significant Accounting Policies (Continued)

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

(iii) Interim financial reporting and impairment

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

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

(P) INVENTORIES

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

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

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

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

(Q) TRADE AND OTHER RECEIVABLES

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

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measure at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 1(O)(i)).

(R) INTEREST-BEARING BORROWINGS

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

(S) TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

(i) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(ii) Contract liabilities

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

1 Significant Accounting Policies (Continued)

(T) CASH AND CASH EQUIVALENTS

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

(U) EMPLOYEE BENEFITS

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

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

(ii) Share-based payment arrangements

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

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

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

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

1 Significant Accounting Policies (Continued)

(V) INCOME TAX

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

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

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

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

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

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

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

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

1 Significant Accounting Policies (Continued)

(V) INCOME TAX (Continued)

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

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

(W) PROVISIONS, CONTINGENT LIABILITIES AND ONEROUS CONTRACTS

(i) Provision and contingent liabilities

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

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

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of fulfilling the contract. 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 that contract.

(X) REVENUE AND OTHER INCOME

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

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

(i) Sale of goods

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

(ii) Commission income

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

(iii) Interest income

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

1 Significant Accounting Policies (Continued)

(X) REVENUE AND OTHER INCOME (Continued)

(iv) Dividends

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

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Rental income from leases

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

(vi) Subcontracting income

Subcontracting income is recognised when the subcontracting service is rendered.

(vii) Government grants

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

(Y) TRANSLATION OF FOREIGN CURRENCIES

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

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

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

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

(Z) BORROWING COSTS

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

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

1 Significant Accounting Policies (Continued)

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

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

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

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

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

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

(BB) RELATED PARTIES

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

1 Significant Accounting Policies (Continued)

(CC) SEGMENT REPORTING

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

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

2 Revenue and Segment Reporting

(A) REVENUE

The principal activities of the Group are development, production, marketing and sale of generic drugs and branded healthcare products. All the revenue for the years ended 31 March 2023 and 2022 was recognised in accordance with HKFRS 15, *Revenue from contracts with customers*. The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts and does not disclose information about remaining performance obligations that have original expected duration of one year or less.

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

(B) SEGMENT REPORTING

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

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 finance costs 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 these financial statements.

2 Revenue and Segment Reporting (Continued)

(B) SEGMENT REPORTING (Continued)

(i) Segment revenue and results

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

	Generic drugs		Branded healthcare		Total	
	Year ended 31 March		Year ended 31 March		Year ended 31 March	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
Revenue from external customers recognised at a point in time	**1,267,598**	1,191,360	**517,981**	404,183	**1,785,579**	1,595,543
Inter-segment revenue	**270**	247	**2,342**	1,956	**2,612**	2,203
Reportable segment revenue	**1,267,868**	1,191,607	**520,323**	406,139	**1,788,191**	1,597,746
Reportable segment profit (adjusted EBITDA)	**362,675**	355,988	**205,771**	85,741	**568,446**	441,729

2 Revenue and Segment Reporting (Continued)

(B) SEGMENT REPORTING (Continued)

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

	Year ended 31 March	
	2023	2022
	HK$'000	HK$'000
Revenue		
Reportable segment revenue	**1,788,191**	1,597,746
Elimination of inter-segment revenue	**(2,612)**	(2,203)
Consolidated revenue	**1,785,579**	1,595,543
Profit		
Reportable segment profit	**568,446**	441,729
Elimination of inter-segment profit	**(273)**	(115)
Reportable segment profit derived from the Group's external customers	**568,173**	441,614
Interest income from bank deposits and investments	**18,147**	1,889
Gain on deemed disposal of equity interest in a joint venture	**8,900**	–
Dividend income from an investment	**–**	1,132
Fair value gain on investment properties	**–**	8,046
Fair value gain on disposal of other financial assets measured at FVPL	**–**	3,304
Depreciation and amortisation	**(184,460)**	(192,597)
Finance costs	**(67,445)**	(25,687)
Share of losses of associates	**(2,842)**	(3,555)
Share of losses of joint ventures	**(718)**	(213)
Impairment losses on intangible assets	**–**	(2,500)
Consolidated profit before taxation	**339,755**	231,433

2 Revenue and Segment Reporting (Continued)

(B) SEGMENT REPORTING (Continued)

(iii) Geographic information

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

	Year ended 31 March	
	2023	2022
	HK$'000	HK$'000
Revenue from external customers		
Hong Kong (place of domicile)	**1,552,272**	1,428,422
Mainland China	**156,307**	79,971
Macau	**48,066**	59,619
Singapore	**9,993**	12,570
Others	**18,941**	14,961
	1,785,579	1,595,543

The following table sets out information about the geographical location of the Group's investment properties, property, plant and equipment, 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 other non-current prepayments, and the location of operations, in the case of interests in associates and joint ventures.

	As at 31 March	
	2023	2022
	HK$'000	HK$'000
Specified non-current assets		
Hong Kong (place of domicile)	**2,964,728**	3,025,001
Mainland China	**42,278**	47,981
Macau	**149**	–
Taiwan	**5,111**	4,940
Cambodia	**86,259**	76,451
	3,098,525	3,154,373

(iv) Information about major customers

For the year ended 31 March 2023, the Group's customer base includes one (2022: 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$614,198,000 (2022: HK$569,478,000).

3 Other Net Income

	Year ended 31 March	
	2023	2022
	HK$'000	HK$'000
Commission income	**2,153**	1,621
Interest income from bank deposits and investments	**18,147**	1,889
Net foreign exchange gain	**2,789**	53
Net (loss)/gain on disposals of property, plant and equipment	**(1,419)**	687
Net loss on disposals of intangible assets	**(2,130)**	(433)
Net distribution and logistic service income	**18,257**	11,533
Subcontracting income	**6,198**	9,090
Rental income	**862**	914
COVID-19-related rent concessions	**208**	245
Gain on deemed disposal of equity interest in a joint venture (note 27)	**8,900**	–
Government grants (Note)	**34,185**	–
Dividend income from an investment	**–**	1,132
Fair value gain on investment properties	**–**	8,046
Fair value gain on disposal of other financial assets measured at FVPL	**–**	3,304
Others	**3,508**	2,418
	91,658	40,499

Note: During the year ended 31 March 2023, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the HKSAR Government. The purpose of the funding is to provide financial support to employers to retain their current employees or hire more employees when the business revives. Under the terms of the grant, the Group is required to employ a sufficient number of employees with reference to its proposed employee headcounts in each subsidy month.

4 Profit Before Taxation

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

	Year ended 31 March	
	2023	2022
	HK$'000	HK$'000
(A) FINANCE COSTS		
Interest on bank loans and other borrowings (note 19(C))	**65,860**	24,208
Interest on lease liabilities (note 19(C))	**1,585**	1,479
	67,445	25,687

4 Profit Before Taxation (Continued)

	Year ended 31 March	
	2023	2022
	HK$'000	HK$'000
(B) STAFF COSTS		
Salaries, wages and other benefits	**432,486**	405,689
Contributions to defined contribution retirement schemes	**19,686**	18,328
Equity-settled share-based payment expenses	**19,135**	–
	471,307	424,017

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

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit scheme (the "**Scheme**") organised by the relevant local government authority in the PRC whereby the Group is required to make contributions to the Scheme at 14% (2022: 15%) of the standard wages determined by the relevant authority in the PRC.

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

	Year ended 31 March	
	2023	2022
	HK$'000	HK$'000
(C) OTHER ITEMS		
Depreciation (note 10)		
– owned property, plant and equipment	**99,543**	101,019
– right-of-use assets	**42,830**	44,617
	142,373	145,636
Amortisation of intangible assets (note 11)	**42,087**	46,961
Impairment losses on intangible assets	**–**	2,500
Auditors' remuneration		
– audit services	**6,678**	6,218
– other services	**2,658**	2,985
Research and development costs (other than amortisation of capitalised development costs)	**1,166**	6,647
Rentals received from investment properties less direct outgoings of HK$363,000 (2022: HK$102,000)	**499**	812
Cost of inventories# (note 16(B))	**1,038,407**	975,021

Cost of inventories includes HK$362,493,000 for the year ended 31 March 2023 (2022: HK$347,214,000), relating to staff costs, and depreciation and amortisation expenses which amount is also included in the respective total amounts disclosed separately above or in note 4(B) for each of these types of expenses.

5 Income Tax

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

	Year ended 31 March	
	2023 HK$'000	2022 HK$'000
Current tax		
Provision for the year	59,319	40,856
(Over)/under-provision in respect of prior years	(1,291)	1,611
	58,028	42,467
Deferred tax		
Reversal and origination of temporary differences (note 23(A))	(1,482)	1,261
	56,546	43,728

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

	Year ended 31 March	
	2023 HK$'000	2022 HK$'000
Profit before taxation	339,755	231,433
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdiction concerned	55,660	37,851
Effect of non-deductible expenses	7,710	5,758
Effect of non-taxable income	(6,954)	(4,127)
Effect of temporary differences not recognised	1,421	2,635
(Over)/under-provision in respect of prior years	(1,291)	1,611
Actual tax expense	56,546	43,728

Notes:

(i) The provision for Hong Kong Profits Tax for the year is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year.

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

6 Directors' Emoluments

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

	Year ended 31 March 2023					
	Directors' fees HK$'000	**Salaries, allowances and benefits in kind HK$'000**	**Discretionary bonuses HK$'000**	**Retirement scheme contributions HK$'000**	**Share-based payments HK$'000**	**Total HK$'000**
Executive Directors						
Mr. Sum Kwong Yip, Derek	**1,218**	**3,474**	**770**	**219**	**8,011**	**13,692**
Mr. Yim Chun Leung	**2,681**	**–**	**660**	**166**	**4,520**	**8,027**
Ms. Pun Yue Wai	**1,230**	**–**	**450**	**–**	**2,845**	**4,525**
Non-executive Director						
Professor Wong Chi Kei, Ian (Note (i))	**226**	**–**	**–**	**–**	**–**	**226**
Independent non-executive Directors						
Dr. Lam Kwing Tong, Alan	**226**	**–**	**–**	**–**	**–**	**226**
Mr. Young Chun Man, Kenneth	**226**	**–**	**–**	**–**	**–**	**226**
Professor Lam Sing Kwong, Simon (Note (ii))	**226**	**–**	**–**	**–**	**–**	**226**
	6,033	**3,474**	**1,880**	**385**	**15,376**	**27,148**

	Year ended 31 March 2022					
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Share-based payments HK$'000	Total HK$'000
Executive Directors						
Mr. Sum Kwong Yip, Derek	1,218	3,497	277	219	–	5,211
Mr. Yim Chun Leung	2,676	–	330	149	–	3,155
Ms. Pun Yue Wai	1,440	–	–	200	–	1,640
Non-executive Director						
Professor Wong Chi Kei, Ian (Note (i))	220	–	–	–	–	220
Independent non-executive Directors						
Dr. Lam Kwing Tong, Alan	220	–	–	–	–	220
Mr. Young Chun Man, Kenneth	220	–	–	–	–	220
Professor Lam Sing Kwong, Simon (Note (ii))	220	–	–	–	–	220
	6,214	3,497	607	568	–	10,886

Notes:

(i) Re-designated as a non-executive Director from an independent non-executive Director with effect from 14 January 2022.

(ii) Re-designated as an independent non-executive Director from a non-executive Director with effect from 1 November 2021.

Share-based payments represent the value of shares granted to the Directors under the Share Award Scheme and the share award scheme of JBM Healthcare, which are accounted for according to the Group's accounting policies for share-based payment transactions as set out in note 1(U)(ii).

The details of these benefits in kind, including the principal terms and number of shares granted, are disclosed under the "Share Award Scheme" section of the Report of the Directors of this annual report and note 28.

7 Individuals with Highest Emoluments

Of the five individuals with the highest emoluments, 3 are Directors for the year ended 31 March 2023 (2022: 2) whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Year ended 31 March	
	2023	2022
	HK$'000	HK$'000
Salaries and other emoluments	**4,357**	5,939
Discretionary bonuses	**880**	817
Retirement scheme contributions	**36**	54
Share-based payments	**1,298**	–
	6,571	6,810

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

	Year ended 31 March	
	2023	2022
	Number of individuals	Number of individuals
HK$2,000,001 – HK$2,500,000	**–**	2
HK$2,500,001 – HK$3,000,000	**–**	1
HK$3,000,001 – HK$3,500,000	**2**	–

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$251,044,000 for the year ended 31 March 2023 (2022: HK$177,666,000) and the weighted average ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	Year ended 31 March	
	2023	2022
	'000	'000
Shares of the Company issued at the beginning of the year	**1,915,677**	1,915,677
Effect of shares held for the Share Award Scheme (note 28(A))	**(4,316)**	–
Weighted average number of ordinary shares in issue during the year	**1,911,361**	1,915,677

(B) DILUTED EARNINGS PER SHARE

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK$251,044,000 for the year ended 31 March 2023 (2022: HK$177,666,000) and the weighted average ordinary shares, calculated as follows:

Weighted average number of ordinary shares:

	Year ended 31 March	
	2023	2022
	'000	'000
Weighted average number of ordinary shares at 31 March	**1,911,361**	1,915,677
Effect of share award granted under the Share Award Scheme (note 28(A))	**332**	–
	1,911,693	1,915,677

9 Dividends

(A) DIVIDENDS PAYABLE TO EQUITY SHAREHOLDERS ATTRIBUTABLE TO THE YEAR

(i) Dividend in the form of cash

	Year ended 31 March	
	2023	2022
	HK$'000	HK$'000
Interim dividend declared and paid of HK2.80 cents per share (2022: HK1.20 cents per share)	**53,030**	22,988
Final dividend proposed after the end of the Reporting Period of HK2.38 cents per share (2022: HK2.68 cents per share) (Note)	**46,034**	51,837
	99,064	74,825

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

(ii) Special dividend in the form of distribution in specie

A special dividend is also recommended by the Board on 15 June 2023 in the form of distribution in specie of 492,259,244 JBM Healthcare Shares on the basis of 509 JBM Healthcare Shares for every 2,000 shares held by equity shareholders of the Company whose names appear on the register of members of the Company on 18 August 2023. Based on the published closing price of HK$1.09 per JBM Healthcare Share on 15 June 2023, the special dividend represents a distribution of approximately HK27.74 cents per share. The special dividend proposed after the end of the Reporting Period has not been recognised as a liability at the end of the Reporting Period. After the distribution of special dividend, the Group will have no control of and no longer consolidate JBM Healthcare.

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

	Year ended 31 March	
	2023	2022
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year of HK2.68 cents per share (2022: HK1.50 cents per share)	**51,837**	29,013
Less: Dividend of shares held by the Share Award Scheme	**(839)**	(278)
	50,998	28,735

10 Investment Properties and Property, Plant and Equipment

(A) RECONCILIATION OF CARRYING AMOUNT

	Land HK$'000	Buildings HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Sub-total HK$'000	Investment properties HK$'000	Total HK$'000
Cost:									
At 1 April 2021	102,342	1,058,001	464,667	501,678	7,641	36,392	2,170,721	207,480	2,378,201
Additions	–	55,261	24,987	4,933	66	11,157	96,404	24,406	120,810
Transfer from investment properties to buildings	–	11,300	–	–	–	–	11,300	(11,300)	–
Transfer to investment properties	–	(1,800)	–	–	–	(70)	(1,870)	1,840	(30)
Disposals	–	(45,950)	(2,797)	(2,313)	–	(2,460)	(53,520)	–	(53,520)
Fair value adjustment	–	–	–	–	–	–	–	8,046	8,046
Exchange difference	716	1,017	2,956	94	34	559	5,376	–	5,376
At 31 March 2022	103,058	1,077,829	489,813	504,392	7,741	45,578	2,228,411	230,472	2,458,883
Accumulated depreciation:									
At 1 April 2021	19,366	162,585	236,513	183,959	6,397	11,302	620,122	–	620,122
Charge for the year	1,639	78,403	34,853	22,999	1,039	6,703	145,636	–	145,636
Written back on disposals	–	(38,107)	(2,671)	(2,159)	–	(2,458)	(45,395)	–	(45,395)
Transfer to investment properties	–	(28)	–	–	–	(2)	(30)	–	(30)
Exchange difference	336	564	2,749	75	32	549	4,305	–	4,305
At 31 March 2022	21,341	203,417	271,444	204,874	7,468	16,094	724,638	–	724,638
Net book value:									
At 31 March 2022	81,717	874,412	218,369	299,518	273	29,484	1,503,773	230,472	1,734,245

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

(A) RECONCILIATION OF CARRYING AMOUNT (Continued)

	Land HK$'000	Buildings HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Sub-total HK$'000	Investment properties HK$'000	Total HK$'000
Cost:									
At 1 April 2022	103,058	1,077,829	489,813	504,392	7,741	45,578	2,228,411	230,472	2,458,883
Additions	25,586	28,123	18,429	6,126	1,526	2,963	82,753	12,300	95,053
Transfer from investment properties to buildings	-	61,600	-	-	-	-	61,600	(61,600)	-
Acquisition of subsidiaries (note 27)	-	-	-	33	-	-	33	-	33
Disposals	-	(36,017)	(2,495)	(1,302)	(1,175)	(5,350)	(46,339)	-	(46,339)
Exchange difference	(1,210)	(1,718)	(4,992)	(169)	(58)	(943)	(9,090)	-	(9,090)
At 31 March 2023	127,434	1,129,817	500,755	509,080	8,034	42,248	2,317,368	181,172	2,498,540
Accumulated depreciation:									
At 1 April 2022	21,341	203,417	271,444	204,874	7,468	16,094	724,638	-	724,638
Charge for the year	1,631	77,968	34,069	21,087	543	7,075	142,373	-	142,373
Written back on disposals	-	(36,017)	(1,877)	(1,210)	(827)	(4,467)	(44,398)	-	(44,398)
Exchange difference	(592)	(982)	(4,686)	(140)	(57)	(936)	(7,393)	-	(7,393)
At 31 March 2023	22,380	244,386	298,950	224,611	7,127	17,766	815,220	-	815,220
Net book value:									
At 31 March 2023	105,054	885,431	201,805	284,469	907	24,482	1,502,148	181,172	1,683,320

At 31 March 2023 and 2022, certain leasehold land and buildings were pledged against bank loans granted to the Group as disclosed in note 22.

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

(B) FAIR VALUE MEASUREMENT

Fair value hierarchy

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

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

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

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

The fair value measurements as at 31 March 2023 and 2022 were categorised into Level 3.

During the year ended 31 March 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2022: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the Reporting Period in which they occur.

The valuations of investment properties at fair value as at 31 March 2023 and 2022 were performed by the Group's independent valuer, Colliers International (Hong Kong) Limited, who have among their staff fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, using the market comparison method. The Group's management has reviewed the valuation results performed by the independent valuer for financial reporting purposes by verifying all major inputs and assumptions, and assessing the reasonableness of property valuation. Such valuation is performed at each interim and annual reporting date and is reviewed and approved by senior management.

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

	As at 31 March	
	2023	2022
(Discount)/premium on quality of the buildings	**(10%) - 10%**	(20%) - 20%

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

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

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

(C) RIGHT-OF-USE ASSETS

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

	Note	As at 31 March **2023** **HK$'000**	2022 HK$'000
Ownership interests in leasehold land with remaining lease term of	(ii)		
– Between 10 and 50 years		**38,775**	25,901
– 50 years or more		**–**	15,124
		38,775	41,025
Buildings leased for own use, carried at depreciated cost	(iii)	**54,260**	67,336
		93,035	108,361

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

	Year ended 31 March **2023** **HK$'000**	2022 HK$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
– Ownership interests in leasehold land	**1,631**	1,639
– Buildings leased for own use	**41,199**	42,978
	42,830	44,617
Interest on lease liabilities (note 4(A))	**1,585**	1,479

Notes:

(i) During the year ended 31 March 2023, additions to right-of-use assets were HK$28,123,000 (2022: HK$49,566,000), which primarily related to the capitalised lease payments payable under new tenancy agreements.

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

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

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

(iii) Buildings leased for own use

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

11 Intangible Assets

	Goodwill HK$'000	Memberships HK$'000	Trademarks HK$'000	Unpatented drugs HK$'000	Customer relationship HK$'000	Capitalised development costs HK$'000	Software HK$'000	Distribution rights HK$'000	Technology knowhow HK$'000	Total HK$'000
Cost:										
At 1 April 2021	444,260	9,020	369,932	238,639	383,325	50,140	39,719	21,980	–	1,557,015
Additions	–	–	–	–	–	6,220	–	1,776	–	7,996
Disposals	–	–	–	–	–	(433)	–	–	–	(433)
At 31 March 2022	444,260	9,020	369,932	238,639	383,325	55,927	39,719	23,756	–	1,564,578
Accumulated amortisation and impairment losses:										
At 1 April 2021	–	–	–	64,706	119,504	1,258	23,092	3,380	–	211,940
Charge for the year	–	–	–	8,931	30,351	944	3,743	2,992	–	46,961
Impairment losses	–	–	370	1,450	680	–	–	–	–	2,500
At 31 March 2022	–	–	370	75,087	150,535	2,202	26,835	6,372	–	261,401
Net book value:										
At 31 March 2022	444,260	9,020	369,562	163,552	232,790	53,725	12,884	17,384	–	1,303,177

	Goodwill HK$'000	**Memberships HK$'000**	**Trademarks HK$'000**	**Unpatented drugs HK$'000**	**Customer relationship HK$'000**	**Capitalised development costs HK$'000**	**Software HK$'000**	**Distribution rights HK$'000**	**Technology knowhow HK$'000**	**Total HK$'000**
Cost:										
At 1 April 2022	444,260	9,020	369,932	238,639	383,325	55,927	39,719	23,756	–	1,564,578
Additions	–	–	–	288	–	13,709	383	–	–	14,380
Acquisition of subsidiaries (note 27)	6,305	–	19,983	–	–	–	–	–	20,447	46,735
Disposals	–	–	–	–	–	(2,065)	–	(390)	–	(2,455)
At 31 March 2023	450,565	9,020	389,915	238,927	383,325	67,571	40,102	23,366	20,447	1,623,238
Accumulated amortisation and impairment losses:										
At 1 April 2022	–	–	370	75,087	150,535	2,202	26,835	6,372	–	261,401
Charge for the year	–	–	–	11,344	23,198	955	3,637	2,953	–	42,087
Disposals	–	–	–	–	–	–	–	(325)	–	(325)
At 31 March 2023	–	–	370	86,431	173,733	3,157	30,472	9,000	–	303,163
Net book value:										
At 31 March 2023	450,565	9,020	389,545	152,496	209,592	64,414	9,630	14,366	20,447	1,320,075

The amortisation charge of unpatented drugs, customer relationship, distribution rights, capitalised development costs and software is included in "Cost of sales", "Selling and distribution expenses" and "Administrative and other operating expenses" in the consolidated statement of profit or loss and other comprehensive income for the years ended 31 March 2023 and 2022.

11 Intangible Assets (Continued)

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

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

IMPAIRMENT TESTS FOR CASH GENERATING UNITS CONTAINING GOODWILL AND TRADEMARKS

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

	As at 31 March	
	2023 **HK$'000**	2022 HK$'000
Goodwill		
Generic drugs	**183,722**	183,722
Branded healthcare	**266,843**	260,538
	450,565	444,260
Trademarks		
Generic drugs	**2,808**	2,808
Branded healthcare	**387,107**	367,124
	389,915	369,932
Less: impairment losses	**(370)**	(370)
	389,545	369,562

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecast prepared by management covering a five-year period (2022: five-year period). Cash flows beyond the five-year period (2022: five-year period) are extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations:

	As at 31 March	
	2023	2022
Gross margin	**25%-71%**	19%-70%
Growth rate	**3%**	3%
Discount rate	**14%-19%**	13%-14%

Management determined forecasted gross margin based on past performance and its expectations for market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs if the discount rate is not the same for all CGUs in the same segment. As at 31 March 2023, the management believes that any reasonably foreseeable change in any of the above key assumptions could not cause the carrying amounts of the CGUs including related goodwill to exceed the recoverable amounts of the CGUs.

Affected by COVID-19, certain CGU under branded healthcare segment suffered operating losses during past few years. Based on the value-in-use calculation using a discount rate of 13%, the impairment loss of HK$2,500,000 has been recognised in "Administrative and other operating expenses" during the year ended 31 March 2022. As the CGU has been reduced to its recoverable amount of HK$18,407,000, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

Capitalised development costs of HK$39,023,000 (2022: HK$35,577,000) are not yet available for use as at the end of Reporting Period. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecast prepared by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 3% (2022: 3%) which does not exceed the long-term average growth rate for the industry in which the CGU operates. Discount rates of 15% (2022: 15%) and gross profit margin of 35% (2022: 35%) have been adopted for the calculations of the recoverable amounts as at the end of Reporting Period.

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

12 Investment in Subsidiaries

Details of the principal subsidiaries are as follows:

Company name	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
A-Pharm Medical Limited	Hong Kong	160,000 ordinary shares	100%	–	100%	Trading of pharmaceutical products
American Unicorn Laboratories Limited	Hong Kong	50,000,000 ordinary shares	100%	–	100%	Manufacturing and sales of pharmaceutical products
APT Pharma (China) Co., Ltd. (Note (i)) 雅柏藥業(中國)有限公司	PRC	HK$108,600,000	100%	–	100%	Manufacturing and sales of pharmaceutical products
APT Pharma Limited	Hong Kong	8,750,000 ordinary shares	100%	–	100%	Manufacturing and sales of pharmaceutical products
Carewell Pharma Limited (Note (ii))	Hong Kong	10,000 ordinary shares	54.3%	–	100%	Sale of healthcare and herbal products
Charmaine Pharmaceutical Company Limited	Hong Kong	1,100,000 ordinary shares	100%	–	100%	Holding of pharmaceutical licenses
China Method Limited	Hong Kong	1,000,000 ordinary shares	100%	–	100%	Properties Holding
Citi-Ascent Limited	Hong Kong	1 ordinary share	100%	–	100%	Procurement of packaging material
Europharm Laboratoires (Hong Kong) Company Limited (Note (ii))	Hong Kong	10,000 ordinary shares	54.3%	–	100%	Manufacturing and sales of Chinese medicines
Europharm Laboratoires Company Limited	Hong Kong	18,000,009 ordinary shares	100%	–	100%	Manufacturing and sales of pharmaceutical products
Five Ocean Inc. (Note (ii) and (iii))	British Virgin Islands	2,000 ordinary shares	54.3%	–	100%	Sales of healthcare products
Frankin Pharmaceutical Laboratories Company Limited	Hong Kong	440,000 ordinary shares	100%	–	100%	Holding of pharmaceutical licenses
Ho Chai Kung Medicine Manufactory Limited (Note (ii))	Hong Kong	10,000 ordinary shares	54.3%	–	100%	Manufacturing and sales of pharmaceutical products
Jacobson Group Management Limited	Hong Kong	10,000 ordinary shares	100%	–	100%	Provision of management services to Group companies
Jacobson Group Treasury Limited	Hong Kong	10,000 ordinary shares	100%	–	100%	Provision of treasury services to Group companies
Jacobson Medical (Hong Kong) Limited (Note (ii))	Hong Kong	26,628,000 ordinary shares	54.3%	–	100%	Trading of medical supplies and pharmaceutical products
Jacobson Research Laboratory Limited	Hong Kong	10,000 ordinary shares	100%	–	100%	Research and development
Janker Limited (Note (ii))	Hong Kong	10,000 ordinary shares	54.3%	–	100%	Trading of Chinese medicines

12 Investment in Subsidiaries (Continued)

Company name	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Jean-Marie Pharmacal Company Limited	Hong Kong	48,193,657 ordinary shares	100%	–	100%	Manufacturing and sales of pharmaceutical products
JBM (Healthcare) Limited (Note (ii))	Cayman Islands	893,686,000 ordinary shares	54.3%	–	54.3%	Investment holding
Karen Pharmaceutical Company Limited (Note (ii))	Hong Kong	100,000 ordinary shares	54.3%	–	100%	Manufacturing and sales of pharmaceutical products
LKC Holdings Limited	Hong Kong	10,000 ordinary shares	100%	–	100%	Properties Holding
Li Chung Shing Tong (Holdings) Limited (Note (ii))	Hong Kong	500,000 ordinary shares	34.8%	–	64%	Manufacturing and sales of Chinese medicines
Li Chung Shing Tong (S) Pte Limited (Note (ii))	Singapore	50,000 ordinary shares at S$1 each	54.3%	–	100%	Trading of Chinese medicines
Ling Chi Medicine (H.K.) Limited (Note (ii))	Hong Kong	10,000 ordinary shares	54.3%	–	100%	Manufacturing and sales of pharmaceutical products and Chinese medicines
Marching Pharmaceutical Limited	Hong Kong	10,000,000 ordinary shares	100%	–	100%	Manufacturing and sales of pharmaceutical products
Medipharma Limited	Hong Kong	47,340 ordinary shares	100%	–	100%	Manufacturing and sales of pharmaceutical products
Melborn Limited	Hong Kong	5,000,000 ordinary shares	100%	–	100%	Properties holding
Melborm Property Limited	Hong Kong	2 ordinary shares	100%	–	100%	Properties holding
Neochem Pharmaceutical Laboratories Limited	Hong Kong	3,000,000 ordinary shares	100%	–	100%	Manufacturing and sales of pharmaceutical products
Nice Laboratories Limited	Hong Kong	1,000,000 ordinary shares	100%	–	100%	Holding of pharmaceutical licenses
Orizen Capital Limited (Note (ii))	British Virgin Islands	100 ordinary shares	53.2%	–	98%	Trading, wholesales and retailing of Chinese medicines
Pharmason Company Limited	Hong Kong	10,000 ordinary shares	100%	–	100%	Trading of pharmaceutical products
Singmalay Company Limited (Note (ii))	Hong Kong	10,000 ordinary shares	54.3%	–	100%	Manufacturing and sales of Chinese medicines

12 Investment in Subsidiaries (Continued)

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

Notes:

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

(ii) JBM Healthcare issued 20,000,000 JBM Healthcare Shares to a non-controlling interests shareholder during the year ended 31 March 2023. The Group's effective interest in JBM healthcare has been decreased to 54.3% as at 31 March 2023 (2022: 55.0%).

(iii) The Group further acquired 50% equity interests in its joint venture at a consideration of allotment and issue of 20,000,000 JBM Healthcare Shares in March 2023. This acquisition was classified as a business combination (see note 27).

The following table lists out the information relating to JBM Healthcare which has a material non-controlling interests ("**NCI**") as at 31 March 2023. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2023 HK$'000	2022 HK$'000
NCI percentage (Note (ii))	**45.7%**	45.0%
Current assets	**331,084**	264,738
Non-current assets	**1,072,001**	1,067,751
Current liabilities	**194,664**	128,613
Non-current liabilities	**177,431**	234,686
Net assets	**1,030,990**	969,190
Equity attributable to equity shareholders of JBM Healthcare	**985,509**	929,202
Non-controlling interests of subsidiaries of JBM Healthcare	**45,481**	39,988
Total equity	**1,030,990**	969,190
Carrying amount of NCI	**495,547**	458,128
Revenue	**520,323**	406,139
Profit attributable to:		
– Equity shareholders of JBM Healthcare	**57,093**	24,620
– Non-controlling interests of subsidiaries of JBM Healthcare	**6,235**	(1,292)
	63,328	23,328
Total comprehensive income attributable to:		
– Equity shareholders of JBM Healthcare	**46,670**	24,494
– Non-controlling interests of subsidiaries of JBM Healthcare	**6,235**	(1,292)
	52,905	23,202
Profit allocated to NCI	**32,309**	10,098
Cash flows from operating activities	**145,616**	59,996
Cash flows from investing activities	**(6,783)**	(7,551)
Cash flows from financing activities	**(56,036)**	(76,852)

13 Interests in Associates

	As at 31 March	
	2023	2022
	HK$'000	HK$'000
Share of net assets, including goodwill on acquisition	**51,821**	53,929

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

Aggregate information of associates that are not individually material:

	2023	2022
	HK$'000	HK$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**51,821**	53,929
Aggregate amounts of the Group's share of these associates:		
Loss and total comprehensive income	**(2,842)**	(3,555)

14 Interests in Joint Ventures

	2023	2022
	HK$'000	HK$'000
Share of net assets, including goodwill on acquisition	**3,616**	4,334

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

Aggregate information of joint ventures that are not individually material:

	2023	2022
	HK$'000	HK$'000
Aggregate carrying amount of the immaterial joint ventures in the consolidated financial statements	**3,616**	4,334
Aggregate amounts of the Group's share of these joint ventures:		
Loss and total comprehensive income	**(718)**	(213)

15 Other Non-Current Assets

	As at 31 March	
	2023	2022
	HK$'000	HK$'000
Prepayments for purchase of non-current assets	**39,693**	43,406
Advance (Note)	**–**	15,282
	39,693	58,688

Note: At 31 March 2022, the amount represents advance to a director of a non-wholly owned subsidiary for the purchase of land in Cambodia for the purpose of construction of a manufacturing plant.

16 Inventories

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

	As at 31 March	
	2023	2022
	HK$'000	HK$'000
Raw materials	**161,700**	164,328
Work in progress	**27,313**	18,263
Finished goods	**178,990**	131,966
	368,003	314,557

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

	Year ended 31 March	
	2023	2022
	HK$'000	HK$'000
Carrying amount of inventories sold	**1,043,965**	978,249
Reversal of provision for inventories write-down	**(5,558)**	(3,228)
	1,038,407	975,021

17 Trade and Other Receivables

	As at 31 March	
	2023	2022
	HK$'000	HK$'000
Trade receivables	**288,231**	308,943
Other receivables	**9,321**	11,933
Deposits and prepayments	**52,104**	51,426
Amounts due from associates	**1,704**	1,739
Amounts due from joint ventures	**–**	6,505
	351,360	380,546

At 31 March 2023, the deposits and prepayments expected to be recovered after more than one year amounted to HK$16,205,000 (2022: HK$10,558,000). The remaining trade and other receivables are expected to be recovered within one year.

AGEING ANALYSIS

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

	As at 31 March	
	2023	2022
	HK$'000	HK$'000
Less than 1 month	**180,287**	192,302
1 to 6 months	**102,991**	69,940
Over 6 months	**4,953**	46,701
	288,231	308,943

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

18 Other Financial Assets

	As at 31 March	
	2023	2022
	HK$'000	HK$'000
Non-current:		
Equity securities designated at FVOCI (non-recycling)		
– Unlisted	**194,103**	300,405
– Listed in Hong Kong	**320,227**	112,361
	514,330	412,766

The Group designated its investments in equity securities acquired during the prior years at FVOCI (non-recycling) under HKFRS 9 which are mainly represented by the investment in Shanghai Henlius Biotech, Inc. and Tycoon Group Holdings Limited. These designations were chosen as the investments are held for strategic purposes. No dividend income was received from such investments during the year ended 31 March 2023 (2022: HK$1,132,000).

During the Reporting Period, the Group disposed of entire investment in New Life Medicine Technology Company Limited in response to an adjustment in its investment strategies. Net fair value gain of HK$10,000,000 (2022: nil) was recognised in other comprehensive income and net realised loss of HK$52,400,000 was transferred from fair value reserve (non-recycling) to retained earnings upon disposal during the Reporting Period.

During the year ended 31 March 2022, the Group disposed a portion of its investment in Shanghai Henlius Biotech, Inc. in response to an adjustment in its investment strategies. Net fair value gain of HK$781,000 was recognised in other comprehensive income and net realised gain of HK$24,908,000 was transferred from fair value reserve (non-recycling) to retained earnings upon disposal during the year ended 31 March 2022.

19 Cash and Cash Equivalents and Other Cash Flow Information

(A) CASH AND CASH EQUIVALENTS COMPRISE:

	As at 31 March	
	2023 **HK$'000**	2022 HK$'000
Short-term deposits with banks	**502,000**	15,016
Cash at bank and in hand	**534,418**	463,637
Cash, bank balances and deposits	**1,036,418**	478,653
Less: Non-pledged time deposits with original maturity of over three months	**(100,000)**	–
Cash and cash equivalents in the consolidated cash flow statement	**936,418**	478,653

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

		Year ended 31 March	
	Note	**2023** **HK$'000**	2022 HK$'000
Operating activities			
Profit before taxation		**339,755**	231,433
Adjustments for:			
Depreciation and amortisation		**184,460**	192,597
Net loss/(gain) on disposals of property, plant and equipment	3	**1,419**	(687)
Net loss on disposals of intangible assets	3	**2,130**	433
Interest income from bank deposits and investments	3	**(18,147)**	(1,889)
Finance costs	4(A)	**67,445**	25,687
Share of losses of associates		**2,842**	3,555
Share of losses of joint ventures		**718**	213
Share-based compensation expenses		**19,135**	–
Gain on deemed disposal of equity interest in a joint venture		**(8,900)**	–
Dividend income from an investment	3	**–**	(1,132)
Fair value gain on investment properties	3	**–**	(8,046)
Fair value gain on disposal of other financial assets measured at FVPL	3	**–**	(3,304)
Impairment losses on intangible assets	4(C)	**–**	2,500
Changes in working capital			
(Increase)/decrease in inventories		**(53,451)**	41,627
Decrease/(increase) in trade and other receivables		**23,779**	(62,788)
Increase in trade and other payables and contract liabilities		**116,500**	20,718
Cash generated from operations		**677,685**	440,917

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

(C) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank loans HK$'000 (note 22)	Lease liabilities HK$'000 (note 21)	Total HK$'000
At 1 April 2022	**1,341,650**	**68,289**	**1,409,939**
Changes from financing cash flows:			
Capital element of lease rentals paid	–	(41,055)	(41,055)
Interest element of lease rentals paid	–	(1,585)	(1,585)
Proceeds from bank loans	1,560,000	–	1,560,000
Repayment of bank loans	(1,346,650)	–	(1,346,650)
Other borrowing costs paid	(77,153)	–	(77,153)
Total changes from financing cash flows	136,197	(42,640)	93,557
Other changes:			
Increase in lease liabilities from entering into new leases during the year	–	28,123	28,123
Interest on lease liabilities (note 4(A))	–	1,585	1,585
Interest expenses (note 4(A))	65,860	–	65,860
Total other changes	65,860	29,708	95,568
At 31 March 2023	**1,543,707**	**55,357**	**1,599,064**
At 1 April 2021	1,578,119	70,504	1,648,623
Changes from financing cash flows:			
Capital element of lease rentals paid	–	(43,051)	(43,051)
Interest element of lease rentals paid	–	(1,479)	(1,479)
Proceeds from bank loans	967,000	–	967,000
Repayment of bank loans	(1,203,469)	–	(1,203,469)
Other borrowing costs paid	(24,208)	–	(24,208)
Total changes from financing cash flows	(260,677)	(44,530)	(305,207)
Other changes:			
Increase in lease liabilities from entering into new leases during the year	–	49,566	49,566
Termination of leases	–	(8,730)	(8,730)
Interest on lease liabilities (note 4(A))	–	1,479	1,479
Interest expenses (note 4(A))	24,208	–	24,208
Total other changes	24,208	42,315	66,523
At 31 March 2022	1,341,650	68,289	1,409,939

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

(D) TOTAL CASH FLOWS FOR LEASES

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

	Year ended 31 March	
	2023	2022
	HK$'000	HK$'000
Within financing cash flows	**(42,640)**	(44,530)

20 Trade and Other Payables and Contract Liabilities

		As at 31 March	
		2023	2022
	Note	**HK$'000**	HK$'000
Trade payables	20(A)	**80,245**	50,460
Salary and bonus payables		**58,318**	51,587
Payables and accruals for addition of property, plant and equipment		**390**	1,080
Other payables and accruals		**87,815**	50,544
Contract liabilities	20(B)	**54,885**	3,740
Amount due to a joint venture	20(C)	**2,000**	2,000
		283,653	159,411

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

(A) TRADE PAYABLES

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

	As at 31 March	
	2023	2022
	HK$'000	HK$'000
Less than 1 month	**44,398**	31,317
1 to 6 months	**35,708**	18,909
Over 6 months	**139**	234
	80,245	50,460

(B) CONTRACT LIABILITIES

Movements of contract liabilities are as follows:

	Year ended 31 March	
	2023	2022
	HK$'000	HK$'000
At the beginning of the year	**3,740**	3,430
Decrease in contract liabilities as a result of recognising income during the year that was included in the contract liabilities at the beginning of the year	**(3,740)**	(3,430)
Increase in contract liabilities as a result of receiving forward income deposits at the end of the year	**54,885**	3,740
At the end of the year	**54,885**	3,740

All of the contract liabilities are expected to be recognised as income within one year.

(C) AMOUNT DUE TO A JOINT VENTURE

The amount due to a joint venture is unsecured, interest-free and repayable on demand.

21 Lease Liabilities

As at the end of the Reporting Period, the lease liabilities were repayable as follows:

	As at 31 March	
	2023	2022
	HK$'000	HK$'000
Within 1 year	**34,823**	33,970
After 1 year but within 2 years	**18,424**	24,507
After 2 years but within 5 years	**2,110**	9,812
	20,534	34,319
	55,357	68,289

22 Bank Loans

An analysis of the carrying amount of bank loans is as follows:

	As at 31 March	
	2023	2022
	HK$'000	HK$'000
Current portion of bank loans	**309,554**	612,178
Non-current portion of bank loans	**1,234,153**	729,472
	1,543,707	1,341,650

Bank loans were analysed as follows:

	As at 31 March	
	2023	2022
	HK$'000	HK$'000
Bank loans		
– secured	**155,000**	880,295
– unsecured	**1,388,707**	461,355
	1,543,707	1,341,650

The bank loans are repayable as follows based on the repayment terms:

	As at 31 March	
	2023	2022
	HK$'000	HK$'000
Bank loans due for repayment:		
Within 1 year	**309,554**	612,178
After 1 year but within 2 years	**676,785**	471,522
After 2 years but within 5 years	**557,368**	257,950
	1,234,153	729,472
	1,543,707	1,341,650

As at 31 March 2023 and 2022, the secured bank facilities were secured by investment properties and property, plant and equipment of the Group, and corporate guarantees provided by the Company and certain subsidiaries of the Group, while the unsecured facilities were guaranteed by the Company and certain subsidiaries of the Group.

22 Bank Loans (Continued)

These facilities amounted to HK$1,900,707,000 as of 31 March 2023 (2022: HK$1,597,150,000). These facilities were utilised to the extent of HK$1,571,026,000 (2022: HK$1,367,461,000).

All the Group's banking facilities are subject to the fulfilment of covenants based on the financial statements of the Group and certain of its subsidiaries, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. As at 31 March 2023, none of the covenants relating to drawn down facilities had been breached (2022: nil). Further details of the Group's management of liquidity risk are set out in note 29(B).

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

	As at 31 March	
	2023	2022
	HK$'000	HK$'000
Property, plant and equipment	**73,896**	439,180
Investment properties	**–**	56,500
	73,896	495,680

23 Deferred Tax

(A) DEFERRED TAX LIABILITIES/(ASSETS) RECOGNISED

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

	Property, plant and equipment HK$'000	Intangible assets HK$'000	Provisions HK$'000	Unused tax losses HK$'000	Total HK$'000
At 1 April 2021	101,714	129,011	(429)	(34,197)	196,099
(Credited)/charged to profit or loss	(3,153)	(6,115)	–	10,529	1,261
Exchange difference	(116)	–	–	–	(116)
At 31 March 2022	98,445	122,896	(429)	(23,668)	197,244
At 1 April 2022	**98,445**	**122,896**	**(429)**	**(23,668)**	**197,244**
(Credited)/charged to profit or loss	**(7,976)**	**(4,602)**	**–**	**11,096**	**(1,482)**
Acquisition of subsidiaries (note 27)	**–**	**6,671**	**–**	**–**	**6,671**
Exchange difference	**191**	**–**	**–**	**–**	**191**
At 31 March 2023	**90,660**	**124,965**	**(429)**	**(12,572)**	**202,624**

Reconciliation to the consolidated statement of financial position

	As at 31 March	
	2023 HK$'000	2022 HK$'000
Deferred tax assets recognised in the consolidated statement of financial position	**(10,231)**	(10,156)
Deferred tax liabilities recognised in the consolidated statement of financial position	**212,855**	207,400
	202,624	197,244

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

(B) DEFERRED TAX ASSETS NOT RECOGNISED

As at 31 March 2023, in accordance with the accounting policy set out in note 1(V), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$10,151,000 (2022: HK$20,461,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Tax losses as at 31 March 2023 and 2022 have no expiry dates under current tax legislation.

24 Share Capital

	Number of shares '000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each at 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	5,000,000	50,000
Issued:		
At 1 April 2021, 31 March 2022 and 1 April 2022	1,915,677	19,157
Shares acquired for the Share Award Scheme (note 28(A))	(31,756)	(318)
Shares vested for the Share Award Scheme (note 28(A))	23,900	239
At 31 March 2023	1,907,821	19,078

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.

25 Company-level Statement of Financial Position

	As at 31 March	
	2023 HK$'000	2022 HK$'000
Non-current assets		
Interests in subsidiaries	**518,521**	518,521
Prepayments	**1,179**	3,863
Other financial assets	**3,534**	6,504
	523,234	528,888
Current assets		
Other receivables	**464**	440
Amounts due from subsidiaries	**1,550,024**	1,525,173
Cash and cash equivalents	**416**	8,352
	1,550,904	1,533,965
Current liabilities		
Other payables	**14**	25
Amount due to a subsidiary	**138,905**	10,252
	138,919	10,277
Net current assets	**1,411,985**	1,523,688
NET ASSETS	**1,935,219**	2,052,576
CAPITAL AND RESERVES		
Share capital	**19,078**	19,157
Reserves	**1,916,141**	2,033,419
TOTAL EQUITY	**1,935,219**	2,052,576

25 Company-level Statement of Financial Position (Continued)

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

	Share capital HK$'000	Share premium HK$'000	Shares for the Share Award Scheme HK$'000	Capital reserve HK$'000	Fair value reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2021	19,157	999,895	(24,576)	203,941	(1,660)	915,354	2,112,111
Loss for the year	–	–	–	–	–	(1,699)	(1,699)
Other comprehensive income	–	–	–	–	(6,113)	–	(6,113)
	–	–	–	–	(6,113)	(1,699)	(7,812)
Dividends approved in respect of the previous year (note 9(B))	–	–	–	–	–	(28,735)	(28,735)
Dividends declared in respect of the current year (note 9(A))	–	–	–	–	–	(22,988)	(22,988)
At 31 March 2022 and 1 April 2022	**19,157**	**999,895**	**(24,576)**	**203,941**	**(7,773)**	**861,932**	**2,052,576**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(2,169)**	**(2,169)**
Other comprehensive income	**–**	**–**	**–**	**–**	**(2,970)**	**–**	**(2,970)**
	–	**–**	**–**	**–**	**(2,970)**	**(2,169)**	**(5,139)**
Dividends approved in respect of the previous year (note 9(B))	**–**	**–**	**–**	**–**	**–**	**(50,998)**	**(50,998)**
Dividends declared in respect of the current year (note 9(A))	**–**	**–**	**–**	**–**	**–**	**(53,030)**	**(53,030)**
Share Award Scheme – value of employee services	**–**	**–**	**–**	**18,882**	**–**	**–**	**18,882**
Shares acquired for the Share Award Scheme (note 28(A))	**(318)**	**–**	**(26,754)**	**–**	**–**	**–**	**(27,072)**
Shares vested for the Share Award Scheme (note 28(A))	**239**	**–**	**26,387**	**(18,593)**	**–**	**(8,033)**	**–**
At 31 March 2023	**19,078**	**999,895**	**(24,943)**	**204,230**	**(10,743)**	**747,702**	**1,935,219**

26 Reserves

The nature and purpose of reserves are set out below:

(A) SHARE PREMIUM

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

(B) CAPITAL RESERVE

The capital reserve comprises the following:

- shareholders' loans capitalised;

- the difference between the considerations paid by the Group and the share of net assets value of the subsidiaries acquired from non-controlling interests;

- the difference between the par value of the Company's shares issued and the equity of Jacobson Pharma Group (BVI) Limited ("**JPG (BVI)**") acquired during the group reorganisation completed on 18 March 2016 (the "**Jacobson Reorganisation**"). Pursuant to the Jacobson Reorganisation, the Company issued 1,308,646,000 ordinary shares of HK$0.01 each to the ten shareholders of JPG (BVI) in consideration of acquiring their equity interests held in JPG (BVI). The difference between the ten shareholders' equity interests in JPG (BVI) over the par value of the shares issued by the Company was transferred to the capital reserve in the financial statements as at the date of Jacobson Reorganisation;

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

- with (i) issuance of JBM Healthcare Shares during the year ended 31 March 2021 and (ii) special interim dividend made in the form of distribution in specie of an aggregate of 241,777,625 JBM Healthcare Shares to the Company's qualifying shareholders on 5 February 2021, the Company's equity interest in JBM Healthcare was diluted from 100% to 53.7% at that moment. Although the Group retains its control over JBM Healthcare and JBM Healthcare remains as a subsidiary, the effect of the reduction in the Company's equity interest in JBM Healthcare, being the difference between the fair value of consideration and the fair value of special interim dividend and the non-controlling interests in JBM Healthcare, has been recognised directly in capital reserve.

(C) EXCHANGE RESERVE

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

(D) FAIR VALUE RESERVE (NON-RECYCLING)

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

(E) CAPITAL MANAGEMENT

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

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

Except for the banking facilities which require the fulfillment of covenants relating to certain financial ratios as disclosed in note 22, the Group is not subject to externally imposed capital requirements.

27 Acquisition of Subsidiaries

STEP ACQUISITION OF FIVE OCEAN INC. AND ITS SUBSIDIARIES (COLLECTIVELY, THE "FIVE OCEAN GROUP")

On 17 March 2023, JBM (BVI) Limited, an indirect subsidiary of the Company, entered into a sale and purchase agreement (the "**SPA**") with an independent third party (the "**Vendor**"), pursuant to which JBM (BVI) Limited conditionally agreed to purchase and the Vendor conditionally agreed to sell, a 50% equity interest in the Five Ocean Inc. and the shareholder's loan at a consideration of allotment and issue of 20,000,000 JBM Healthcare Shares and the transaction was completed on 23 March 2023 (the "**Step Acquisition**"). The principal activity of Five Ocean Group is sales of healthcare products.

The fair value of the Group's then 50% equity holding in the Five Ocean Inc. immediately before the Step Acquisition (the "**Existing Shareholding**") formed part of the total consideration of the Step Acquisition and was included in the calculation of goodwill on the Step Acquisition.

Upon the completion of the Step Acquisition on 23 March 2023, the Five Ocean Group, the former 50% joint ventures of the Group, became subsidiaries of the Group. A gain on the deemed disposal of the respective interests of HK$8,900,000 was recognised in profit and loss (note 3).

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

	HK$'000
Property, plant and equipment	33
Intangible assets	40,430
Cash and cash equivalents	1,859
Trade and other receivables	4,114
Trade and other payables	(8,962)
Amount due to the immediate holding company	(9,008)
Deferred tax liabilities	(6,671)
	21,795
Goodwill	6,305
	28,100

Total purchase consideration is satisfied by:

	HK$'000
Issue of consideration shares to acquire 50% of equity interests and shareholder loan	19,200
Fair value of previously held equity interests	8,900
Total consideration	28,100
Cash and cash equivalents acquired and net cash inflow from acquisition of subsidiaries	1,859

Goodwill arising from the acquisition of the Five Ocean Group represents the benefits of expected synergies to be achieved from integrating the subsidiaries into the Group's existing businesses and future market development. None of the goodwill recognised is expected to be deductible for tax purposes.

The Five Ocean Group contributed revenue of HK$Nil and loss of HK$Nil to the Group for the period from 23 March 2023 to 31 March 2023. If the Step Acquisition had occurred on 1 April 2022, the Group's revenue and profit for the year ended 31 March 2023 would have increased by HK$20,900,000 and decreased by HK$7,330,000 (after adding back the share of losses from 1 April 2022 to 22 March 2023) respectively.

28 Equity-settled Share-based Transactions

(A) SHARE AWARD SCHEME

On 16 October 2018, the Share Award Scheme was adopted by the Company. Pursuant to the Share Award Scheme, the Directors 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 Board but such purchases will not result in the trustee holding at any time more than 3% of the total issued shares of the Company.

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

During the year ended 31 March 2023, the Share Award Scheme acquired 31,756,000 shares through purchases on the open market. The total amount paid to acquire the shares during the Reporting Period was approximately HK$27,072,000. During the year ended 31 March 2022, the Share Award Scheme did not acquire any shares through purchases on the open market.

During the year ended 31 March 2023, the Company has granted a total of 24,900,000 shares to eligible grantees, including certain Directors and employees of the Group. There was no share award granted under the Share Award Scheme during the year ended 31 March 2022.

Details of the shares awarded under the Share Award Scheme during the year ended 31 March 2023 are as follows:

	Number of Shares					
Date of grant	**As at 1 April 2022**	**Granted during the year**	**Vested during the year**	**Lapsed during the year**	**As at 31 March 2023**	**Vesting date**
11 April 2022	–	10,000,000	(10,000,000)	–	–	31 May 2022
1 December 2022	–	12,900,000	(12,900,000)	–	–	18 January 2023
1 December 2022	–	1,000,000	(1,000,000)	–	–	1 March 2023
1 December 2022	–	1,000,000	–	–	1,000,000	1 December 2023
	–	24,900,000	(23,900,000)	–	1,000,000	

(B) SHARE OPTION SCHEME

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

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

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

28 Equity-settled Share-based Transactions (Continued)

(B) SHARE OPTION SCHEME (Continued)

As at 1 April 2021, all the share options have lapsed and no share options were outstanding as at 31 March 2023 and 2022. No shares options were exercised during the year ended 31 March 2023 and 2022.

(ii) Fair value of share options and assumptions

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

Fair value of share options and assumptions

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

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

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

(C) 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. Pursuant to the share award scheme of JBM Healthcare, the directors of JBM Healthcare are authorised, at their discretion to determine individuals, including directors and employees of any companies in the JBM Healthcare Group, for granting them the JBM Healthcare Shares. The share award scheme of JBM Healthcare will be valid and effective for a period of 10 years commencing from 18 January 2021.

The JBM Healthcare Shares to be granted under the share award scheme of JBM Healthcare will be purchased and held by a trustee. The maximum of purchases by the trustee in any financial year will be fixed by the board of directors of JBM Healthcare but such purchases will not result in the trustee holding at any time more than 5% of the total issued JBM Healthcare Shares.

In addition, unless approved by the board of directors of JBM Healthcare, no awarded shares will be granted to any individual if the granting of such awarded shares would result in the total number of shares granted to the individual during any 12-month period exceeding 1.0% of the total issued JBM Healthcare Shares (0.1% of the total issued JBM Healthcare Shares in case for an independent non-executive director of the JBM Healthcare).

28 Equity-settled Share-based Transactions (Continued)

(C) SHARE AWARD SCHEME OF JBM HEALTHCARE (Continued)

During the year ended 31 March 2023, the share award scheme of JBM Healthcare acquired 6,100,000 shares through purchases on the open market. The total amount paid to acquire the shares during the Reporting Period was approximately HK$5,348,000. During the year ended 31 March 2022, the share award scheme of JBM Healthcare did not acquire any shares through purchases on the open market.

During the year ended 31 March 2023, JBM Healthcare has granted a total of 6,000,000 shares to an eligible grantee. There was no share award granted under the share award scheme of JBM Healthcare during the year ended 31 March 2022.

	Number of Shares					
Date of grant	As at 1 April 2022	Granted during the year	Vested during the year	Lapsed during the year	As at 31 March 2023	Vesting date
30 March 2023	–	6,000,000	–	–	6,000,000	18 May 2023

29 Financial Risk Management and Fair Values

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

(A) CREDIT RISK

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 March 2023, 17.5% (2022: 19.8%) of the total trade and other receivables was due from the Group's largest debtor and 35.6% (2022: 35.9%) was due from the five largest debtors respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which, except for amounts due from customers with significant balances or credit-impaired that are assessed individually, is calculated using a provision matrix. Accordingly, the Group recognised credit loss allowance of HK$2,600,000 for a single customer with significant doubt on collection that is individually impaired for the year ended 31 March 2023 (2022: HK$2,600,000). As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

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

The Group assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 as at 31 March 2023 and 2022 other than for the abovementioned customers, and no provision matrix has therefore been disclosed.

29 Financial Risk Management and Fair Values (Continued)

(B) LIQUIDITY RISK

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

The contractual undiscounted cash flows of trade and other payables excluding contract liabilities as at 31 March 2023 and 2022 are due within 1 year or on demand and equal to their carrying value, at the end of the Reporting Period.

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

	As at 31 March 2022					
	Contractual undiscounted cash outflow					
	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
Bank loans	637,206	481,615	261,135	–	1,379,956	1,341,650
Lease liabilities	34,917	24,898	9,866	–	69,681	68,289
	672,123	506,513	271,001	–	1,449,637	1,409,939

	As at 31 March 2023					
	Contractual undiscounted cash outflow					
	Within 1 year HK$'000	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**	**More than 5 years HK$'000**	**Total HK$'000**	**Carrying amount HK$'000**
Bank loans	**384,949**	**726,143**	**559,646**	**–**	**1,670,738**	**1,543,707**
Lease liabilities	**35,792**	**18,680**	**2,122**	**–**	**56,594**	**55,357**
	420,741	**744,823**	**561,768**	**–**	**1,727,332**	**1,599,064**

29 Financial Risk Management and Fair Values (Continued)

(C) INTEREST RATE RISK

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

(i) Interest rate profile

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

	As at 31 March			
	2023 Effective interest rate	**Amount HK$'000**	2022 Effective interest rate	Amount HK$'000
Fixed rate borrowings:				
Lease liabilities	**1.43%-6.93%**	**55,357**	0.91%-3.30%	68,289
Variable rate borrowings:				
Bank loans	**2.86%-5.40%**	**1,543,707**	1.06%-2.67%	1,341,650
Total interest-bearing borrowings		**1,599,064**		1,409,939
Fixed rate borrowings as a percentage of total borrowings		**3.5%**		4.8%

(ii) Sensitivity analysis

As at 31 March 2023, it is estimated that a general increase/decrease of 10 basis points in interest rates with all other variables held constant, would have decreased/increased the Group's profit after tax and retained earnings by approximately HK$1,289,000 (2022: HK$1,120,000).

The sensitivity analysis above indicates the annualised impact on the Group's interest expense that would arise assuming that the change in interest rates had occurred at the end of the Reporting Period and had been applied to floating rate instruments which expose the Group to cash flow interest rate risk at that date. The analysis does not take into account exposure to fair value interest rate risk arising from fixed rate instruments as the Group does not hold any fixed rate instruments which are measured at fair value in the financial statements. The analysis is performed on the same basis for 2022.

(D) CURRENCY RISK

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

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

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

29 Financial Risk Management and Fair Values (Continued)

(D) CURRENCY RISK (Continued)

(i) Exposure to currency risk

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

	As at 31 March							
	2023				2022			
	United States dollars HK$'000	Renminbi HK$'000	Euros HK$'000	New Taiwan Dollars HK$'000	United States dollars HK$'000	Renminbi HK$'000	Euros HK$'000	New Taiwan Dollars HK$'000
Cash and cash equivalents	1,984	168	34	778	16,053	249	52	-
Trade and other receivables	6,193	6,514	462	173	7,441	27,102	1,317	-
Trade and other payables and contract liabilities	(22,309)	(69)	(1,500)	(219)	(9,159)	(3,268)	(1,140)	(1,632)
Net exposure arising from recognised assets and liabilities	(14,132)	6,613	(1,004)	732	14,335	24,083	229	(1,632)

(ii) Sensitivity analysis

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

	As at 31 March			
	2023		2022	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings HK$'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings HK$'000
Renminbi	3%	166	5%	1,005
	(3%)	(166)	(5%)	(1,005)
Euros	6%	(50)	4%	8
	(6%)	50	(4%)	(8)
New Taiwan Dollars	2%	12	2%	(27)
	(2%)	(12)	(2%)	27

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the Reporting Period. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis is performed on the same basis for 2022.

29 Financial Risk Management and Fair Values (Continued)

(E) FAIR VALUE MEASUREMENT

(a) Fair value hierarchy

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

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

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

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

The following table presents the Group's financial assets that were measured at fair value at 31 March 2023 and 2022.

	Fair value at 31 March 2023	**Fair value measurements at 31 March 2023 categorised into**		
		Level 1	**Level 2**	**Level 3**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets at FVOCI				
– Unlisted	**194,103**	**–**	**4,321**	**189,782**
– Listed in Hong Kong	**320,227**	**320,227**	**–**	**–**

	Fair value at 31 March 2022	Fair value measurements at 31 March 2022 categorised into		
		Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVOCI				
– Unlisted	300,405	–	247,619	52,786
– Listed in Hong Kong	112,361	112,361	–	–

As at 31 March 2023, there are certain unlisted financial assets at FVOCI were transferred from Level 2 to Level 3 due to lack of recent transaction.

The fair value of certain unlisted financial assets at FVOCI of HK$67,076,000 (31 March 2022: HK$118,867,000) was determined using discounted cash flow method (31 March 2022: with reference to the pricing of the recent transactions or offerings of the investees' shares).

The fair value of an unlisted financial assets at FVOCI of HK$92,948,000 (31 March 2022: HK$126,710,000) was determined using market 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).

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 years ended 31 March 2023 and 2022. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the Reporting Period in which they occur.

29 Financial Risk Management and Fair Values (Continued)

(E) FAIR VALUE MEASUREMENT (Continued)

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

The fair value of the unlisted financial assets at FVOCI is determined using a valuation technique based on the net asset value approach, which takes into consideration the fair value of the underlying assets and liabilities of the unlisted financial assets. The assets held by the financial assets consist of a publicly traded investment in an active market.

(c) Information about Level 3 fair value measurements

	Valuation technique	Significant unobservable inputs	Range
Unlisted financial assets at FVOCI	Discounted cash flow method	Discount rate	14.0% – 20.0% (2022: 13.5% – 15.1%)
	Market comparison approach	Discount for lack of marketability	20.0% (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 31 March 2023, 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$15,287,000/HK$12,989,000 (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 31 March 2023, 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$1,162,000/HK$1,162,000.

The movements during the Reporting Period in the balance of these Level 3 fair value measurements are as follows:

	2023 HK$'000	2022 HK$'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 year	**(96,457)**	(4,904)
Transfer from Level 2	**233,453**	–
At 31 March	**189,782**	52,786

30 Commitments

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

	As at 31 March	
	2023 HK$'000	2022 HK$'000
Authorised and contracted for		
– Purchase of non-current assets	**34,010**	22,565

31 Material Related Party Transactions

KEY MANAGEMENT PERSONNEL EMOLUMENTS

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

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

32 Non-adjusting Events after the Reporting Period

No significant event has taken place subsequent to 31 March 2023 and up to the date of this annual report.

33 Immediate and Ultimate Controlling Party

At 31 March 2023, the Directors consider the immediate parent and ultimate controlling party of the Group to be Kingshill Development Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

34 Accounting Judgements and Estimates

KEY SOURCES OF UNCERTAINTY

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

IMPAIRMENT OF INTANGIBLE ASSETS

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

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

35 Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for the Year Ended 31 March 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 March 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 17, *Insurance contracts*	1 January 2023
Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	1 January 2024
Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants*	1 January 2024

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

GROUP PROPERTIES

Major properties held for investment

Location	Use	Lease term
Office Nos. 6-7, 8th Floor, C-Bons International Centre, No. 108 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong	Commercial	Medium lease
7th Floor, Rainbow Factory Building, No. 149 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong	Commercial and industrial	Medium lease
13 units of workshop on 1st, 2nd, 4th, 6th and 14th Floor, Wah Yiu Industrial Centre, Nos. 30–32 Au Pui Wan Street, Shatin, New Territories, Hong Kong	Industrial	Medium lease

FIVE-YEAR FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

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

	Year ended 31 March				
	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000 (Restated) (Note)
Revenue	**1,785,579**	1,595,543	1,445,915	1,571,459	1,478,125
Cost of sales	**(1,038,407)**	(975,021)	(884,832)	(881,481)	(803,474)
Gross profit	**747,172**	620,522	561,083	689,978	674,651
Other net income	**91,658**	40,499	102,743	30,091	37,064
Selling and distribution expenses	**(196,723)**	(184,087)	(177,412)	(195,286)	(168,877)
Administrative and other operating expenses	**(231,347)**	(216,046)	(230,174)	(206,566)	(172,253)
Profit from operations	**410,760**	260,888	256,240	318,217	370,585
Finance costs	**(67,445)**	(25,687)	(30,144)	(55,359)	(66,198)
Share of (losses)/profits of associates	**(2,842)**	(3,555)	(3,676)	1,993	4,719
Share of losses of joint ventures	**(718)**	(213)	(1,851)	(1,365)	–
Profit before taxation	**339,755**	231,433	220,569	263,486	309,106
Income tax	**(56,546)**	(43,728)	(34,264)	(46,025)	(55,528)
Profit for the year from continuing operations	**283,209**	187,705	186,305	217,461	253,578
Profit for the year from discontinued operations	**–**	–	3	1,647	5,100
Profit for the year	**283,209**	187,705	186,308	219,108	258,678
Profit attributable to:					
Equity shareholders of the Company	**251,044**	177,666	173,713	215,631	250,561
Non-controlling interests	**32,165**	10,039	12,595	3,477	8,117
Total profit for the year	**283,209**	187,705	186,308	219,108	258,678

	As at 31 March				
	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
Total non-current assets	**3,623,086**	3,577,295	3,706,368	3,409,824	3,016,587
Total current assets	**1,757,413**	1,178,245	1,160,782	1,170,376	1,244,007
Total current liabilities	**656,435**	826,384	873,906	727,360	1,054,371
Total non-current liabilities	**1,467,542**	971,191	1,133,135	1,246,747	519,085
Net current assets	**1,100,978**	351,861	286,876	443,016	189,636
Total assets less current liabilities	**4,724,064**	3,929,156	3,993,244	3,852,840	3,206,223
Net assets	**3,256,522**	2,957,965	2,860,109	2,606,093	2,687,138

Note:

The wholesale and retail segment has been classified as discontinued operations of the Group for the years ended 31 March 2021, 2020 and 2019. In accordance with HKFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, the Group has restated the comparative information in 2019 in this regard.

GLOSSARY

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

"2023 AGM"	the forthcoming 2023 annual general meeting of the Company
"adjusted EBITDA"	adjusted earnings before interest, taxes, depreciation and amortisation
"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
"Articles of Association"	the articles of association of the Company currently in force
"associate(s), chief executive(s), connected person(s), substantial shareholder(s)"	each has the meaning as described in the Listing Rules
"Audit Committee"	the audit committee of the Company
"Award Committee"	the award committee of the Company
"Board"	the board of Directors
"China", "Mainland China", "PRC" or "the PRC"	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, Macau and Taiwan
"Company", "our Company" or "the Company"	Jacobson Pharma Corporation Limited, an exempted company incorporated in the Cayman Islands with limited liability on 16 February 2016
"Controlling Shareholders"	Mr. Sum, Kingshill and Kingshill Development Group Inc
"COVID-19"	Coronavirus disease 2019
"Director(s)"	the director(s) of the Company
"ESG"	environmental, social and governance
"ESG Committee"	the environmental, social and governance committee of the Company
"Executive Committee"	the executive committee of the Company
"FY2022"	the year ended 31 March 2022
"FY2023" or "Reporting Period"	the year ended 31 March 2023
"FY2024"	the year ending 31 March 2024
"GDP"	Gross Domestic Product
"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
"HKSAR" or "Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Jacobson", "Group", "our Group", "the Group", "we", "us", or "our"	the Company and its subsidiaries and, in respect of the period before we became the holding company of our present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Jacobson Connected Persons"	any of the Company, JBM Group BVI and their respective associates other than JBM Healthcare Group
"JBM Group BVI"	JBM Group (BVI) Limited, a company with limited liability incorporated under the laws of the British Virgin Islands on 24 December 2019, which is a controlling shareholder of JBM Healthcare
"JBM Healthcare"	JBM (Healthcare) Limited, an exempted company incorporated in the Cayman Islands with limited liability on 7 January 2020, the issued shares of which are listed on the Main Board on 5 February 2021, an indirect non-wholly owned subsidiary of the Company (stock code: 2161)
"JBM Healthcare Group"	JBM Healthcare and its subsidiaries
"JBM Healthcare Share(s)"	ordinary share(s) in the share capital of JBM Healthcare with nominal value of HK$0.01 each
"Kingshill"	Kingshill Development Limited, a limited liability company incorporated under the laws of the British Virgin Islands on 8 July 1998, and one of our Controlling Shareholders
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	Main Board of the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Mr. Sum"	Mr. Sum Kwong Yip, Derek, our chairman, executive Director, chief executive officer and one of our Controlling Shareholders
"net debts"	bank loans less cash and cash equivalents
"Nomination Committee"	the nomination committee of the Company
"PIC/S"	two international instruments, the Pharmaceutical Inspection Convention and the Pharmaceutical Inspection Co-operation Scheme, which seek to promote constructive co-operation in the field of GMP between the participating authorities in different geographic markets
"PIC/S GMP"	Good Manufacturing Practice in accordance with the PIC/S GMP Guide issued by PIC/S
"Private Sector"	refers to non-Public Sector
"Public Sector"	refers to public sector institutions and clinics in Hong Kong
"Queenshill"	Queenshill Development Limited, a limited liability company incorporated under the laws of BVI on 12 December 2012
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Company

"Reorganisation"	the reorganisation arrangements undergone by JBM Healthcare Group in preparation for the listing of JBM Healthcare Shares on the Main Board, details of which are set forth in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in the prospectus of JBM Healthcare dated 26 January 2021
"Risk Management Committee"	a working committee reporting to the Audit Committee on the Group's risk-related matters
"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(s)" or "share(s)"	ordinary share(s) in the capital of the Company with nominal value of HK$0.01 each
"Share Award Scheme"	the share award scheme adopted by our Company on 16 October 2018, the principal terms of which are summarised in the announcement of the Company dated 16 October 2018
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 30 August 2016, the principal terms of which are summarised in "Statutory and General Information – D. Other Information – 1. Share Option Scheme" in Appendix V to the prospectus issued by 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*