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

Jacobson Pharma Corporation

Interim 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

	Six months ended 30 September 2023 HK$'000	Six months ended 30 September 2022 (Restated)[1] HK$'000	Change
Revenue from continuing operations	714,918	581,891	+22.9%
Gross profit	301,079	253,808	+18.6%
Gross profit margin (%)	42.1%	43.6%	
Profit attributable to equity shareholders of the Company	154,040	136,192	+13.1%
Profit margin attributable to equity shareholders of the Company (%)	21.5%	23.4%	
Adjusted EBITDA[2]	218,120	233,775	-6.7%
Adjusted EBITDA margin (%)[3]	30.5%	40.2%	
Return on equity (%)[4]	12.8%	9.9%	

	As at 30 September 2023 HK$'000	As at 31 March 2023 HK$'000	Change
Total assets	3,987,544	5,380,499	-25.9%
Total liabilities	1,682,141	2,123,977	-20.8%
Total equity	2,305,403	3,256,522	-29.2%

(1) The branded healthcare segment has been classified as discontinued operations of the Group for the six months ended 30 September 2023. 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 for the six months ended 30 September 2022 in this regard.

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

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

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

CORPORATE VISION AND MISSION

OUR VISION

At Jacobson, we aspire to be an eminent player in essential medicines, specialty drugs and 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 and specialty drugs. 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 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 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.

- ### 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.

- ### Robust Logistics Infrastructure and Specialised Capabilities

  Our key strengths stem from a centralised distribution center and a high-capacity fleet of delivery trucks, positioning us to meet substantial volume demands with efficiency. We maintain industry-leading accreditations and adhere to stringent standards, ensuring both quality and regulatory compliance, thereby reinforcing our commitment to excellence. In addition to our robust foundation, we have developed specialised capabilities in vaccine and advanced therapy products logistics. Our effective warehousing practices, powered by advanced IT systems, drive accuracy and efficiency in our operations, establishing a reliable service framework. Beyond infrastructure and compliance, our specialised capabilities in addressing diverse storage and distribution needs position us as a comprehensive logistics provider within the pharmaceutical industry.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As Hong Kong progressively returned to normalcy with the removal of COVID-19 restrictions in early 2023, which spurred an increase in inbound tourism and consumer spending, the local economy has continued its recovery since the first quarter of 2023. This recovery has been marked by an upswing in economic activities. Consequently, we have observed significant positive momentum in our performance during the first half of FY2024. This notable growth trend has also been driven by the easing of social distancing rules and the phased-out mask-wearing measures. These changes have resulted in a sustained increase in influenza infection cases, especially among school children, which has, in turn, boosted the demand for cold and flu treatments this year.

Our first-half performance reflected the effective execution of our growth strategies. We have maintained a steadfast focus on strengthening our position as a prominent player in Hong Kong's generic drugs market. This achievement has been the result of our increased efforts to improve our R&D pipeline and production capabilities, expand our product portfolio, enhance commercial execution, and reinforce our sales platforms.

As we steadfastly progress in our pursuit of aligning business strategy with sustainable development, we have made notable strides in our Environmental, Social, and Governance (ESG) initiatives. Our primary focus remains on expeditiously implementing our sustainability strategy, "5 to Thrive", which encompasses five core pillars: "Corporate Governance Duty", "Product Responsibility", "Societal Engagement", "Environmental Stewardship" and "Commitment to Employees". Our environmental commitments are a crucial component of this framework, and we are on course to meet our targets outlined in our roadmap for managing greenhouse gas (GHG) emissions, waste, electricity, fuel, and water.

RESULTS

During the six months ended 30 September 2023, the Group achieved a 22.9% growth in its total revenue compared to FY2023 Interim, totaling HK$714.9 million. Profit attributable to equity shareholders reached HK$154.0 million, marking an increase of HK$17.8 million or 13.1%.

Benefiting from strong business performance and disciplined cost management, the Group sustained an adjusted EBITDA of HK$218.1 million during the Reporting Period. The net gearing ratio remained at a healthy level of 17.8% as at the end of the Reporting Period. The Group's cash reserves remained robust, with a balance of HK$871.0 million as of the end of the Reporting Period.

OPERATION PERFORMANCE

Extensive Portfolio to Meet Evolving Demand

As a prominent manufacturer and supplier of generic pharmaceuticals in Hong Kong, the Group boasts an extensive and carefully curated portfolio of essential and specialty drugs to cater to the diverse and evolving requirements of both healthcare professionals and patients alike.

The Group's generics business gained momentum during the Reporting Period as a result of Hong Kong's return to normalcy and economic recovery following the relaxation of pandemic-related restrictions. This growth was facilitated by increased social activities and the resurgence of medical consultation visits.

Furthermore, the removal of mask-wearing mandates, along with a decline in overall community immunity against seasonal flu, has heightened the public's susceptibility to influenza infections. As a result, there has been a sustained increase in flu cases, especially among school children. This, in turn, has driven up the demand for cold and flu treatments, contributing to the growth of both the Public and Private Sectors of the Group's business during the Reporting Period, alongside the robust trend in medication demand among the aging population and chronic disease patients.

The robust growth of medications catering to the elderly and those with chronic diseases is exemplified by the Group's cardiovascular offerings. The angiotensin II antagonists class has shown notable growth, attributed to the increasing consumption of Losartan Tablets. Additionally, other anti-hypertensive medications have also recorded substantial growth during the Reporting Period, primarily due to increased usage of Hydralazine and Prazosin Tablets. Furthermore, the Diuretic class saw significant growth due to the newly awarded public tender for Eplerenone Tablets.

Furthermore, therapeutic sectors like Analgesics and Antihistamines have exhibited strong growth rates, and Arsenic Trioxide Oral Solution in the Cytotoxic Chemotherapy category has shown significant growth as well.

During the Reporting Period, the Group secured first-time orders, which included Brimonidine 1.5mg Eye Drops, Finasteride Tablet 5mg, Metronidazole Oral Suspension, and Dexamethasone Oral Suspension.

New Product Introduction

Our unwavering commitment to providing a broad array of high-quality medications underscores our ongoing effort to supply quality generics that cater to both medical and patient needs.

Throughout the Reporting Period, the Group introduced several new products, including Eplerenone Tablets, Letrozole Tablets, and Finasteride Tablets. Furthermore, the Group has obtained registration approval for 18 new products, poised for upcoming market launches.

R&D Pipeline Progress

By adhering to a prudent and disciplined approach to research and development, we maintained steady progress within our R&D pipeline throughout the Reporting Period. As of 30 September 2023, our pipeline comprised 181 products, with 63 of them having received registration approval and 11 currently in the registration submission process. Furthermore, 55 products have completed the development stage and are undergoing stability preparation or stability studies. Additionally, 17 items are currently in the formulation or pre-formulation research development stage.

Enhancing Production Capacity

During the Reporting Period, the Group has made significant progress in expanding production capacity. For instance, one of our manufacturing units achieved a 27.24% increase in solid dosage form production output compared to the previous half-year period, boosted by the addition of a new blistering line that became operational in the Reporting Period.

The total manufacturing output of the Group's liquid formulations increased by 12.65% in volume during the Reporting Period compared to the same period of last year. Additionally, the production of semi-solid dosage forms increased by 6.34% in sales packaging, while solid dosage forms showed a modest decline in contrast to the heightened demand from the same period of last year.

By leveraging our scalable production capacities, the Group is well-positioned to meet the changing demands of the public for medications. Our ability to adapt and expand our production capabilities ensures that we can readily respond to evolving market needs effectively and efficiently.

BUSINESS DEVELOPMENT

In-license of Specialised Products

In our continued efforts to enhance our offerings and broaden our portfolio of specialised drugs to complement our existing pipeline, we remained committed to a robust in-licensing strategy through collaborations with reputable manufacturers worldwide.

During the Reporting Period, we have made significant progress by securing exclusive in-licensing agreements for exceptional pharmaceutical products. This includes a notable addition to our portfolio – an in-licensed product from South Korea that strengthens our gastrointestinal health offerings. Furthermore, we have also successfully secured specialty pharmaceuticals from the United Kingdom, signifying a significant milestone in our in-licensing strategy. These products fall under the category of New Chemical Entities (NCE), a designation that secures them a distinct advantage of eight-year exclusivity protection from the Department of Health upon the granting of Marketing Authorization (MA). This exclusive status empowers us to fully exploit their market potential over an extended period.

Strategic Partnership and Collaboration

In our ongoing commitment to innovative therapies, we are actively focused on expanding the market access of Arsenic Trioxide Oral Solution and making notable progress in this initiative. This unique product, being jointly developed by The University of Hong Kong ("**HKU**") and Jacobson in Hong Kong, is the only authorised oral formulation of Arsenic Trioxide for the treatment of acute promyelocytic leukemia. Clinical studies conducted by HKU have demonstrated that this oral solution is as effective as its injectable counterparts while maintaining a superior safety profile.

Under the regulatory framework of Guangdong Province, aimed at facilitating the introduction of drugs and medical devices registered in Hong Kong and used in Hong Kong public hospitals into the Guangdong-Hong Kong-Macau Greater Bay Area ("**GBA**"), Arsenic Trioxide Oral Solution has been included in the formulary of HKU-Shenzhen Hospital, with the first patient scheduled to commence treatment in October 2023.

In expanding the product's accessibility to benefit more patients in the GBA, we are currently engaged in collaborative efforts to list the product at Foshan Fosun Chancheng Hospital in the near future. A total of 19 medical institutions in Guangdong Province now have the potential to access this therapy through this pilot scheme.

Furthermore, we are actively setting up a named patient distribution network in Malaysia in collaboration with a local distributor to boost our marketing and sales initiatives. This product underscores our commitment to improving patient outcomes by making innovative treatments more widely available.

E-ordering System to Enhance Sales and Customer Service Platform

In a bid to bolster its sales and customer service capabilities, the Group has initiated the development of "e-Jacob Pharma2U", an e-ordering platform aimed at capitalising on the growing trend of online purchasing. This platform is designed to streamline the procurement of pharmaceutical products and medical supplies, focusing on private clinics. Its primary objective is to provide a comprehensive e-commerce solution, offering customers a user-friendly platform for product search, order placement, and timely re-order reminders. Moreover, it will serve as a valuable marketing tool to promote new products, strengthening the Group's competitive edge and optimising the drug ordering process for customers.

In terms of progress, the e-Jacob Pharma2U project has reached its final development stage. The User Acceptance Testing (UAT) phase is near completion, ensuring the platform's functionality, security, and user-friendliness are of the highest standard. The pilot launch of e-Jacob Pharma2U is scheduled for the end of 2023, allowing for user feedback and fine-tuning before a broader rollout. For medical professionals and key customers, this platform offers easy access to the product range, real-time interaction with the sales team, streamlined order placement, and data-driven insights to drive targeted promotions and new product launches. Overall, e-Jacob Pharma2U embodies the Group's commitment to enhancing the customer experience through digital transformation, with a focus on customer centricity and digital capabilities.

OUTLOOK

Looking ahead to the next six months, we anticipate a steady post-pandemic recovery in both economic and social activities. This aligns with our expectation of maintaining positive momentum for our business. As a prominent pharmaceutical company in Hong Kong, we remain dedicated to our mission of delivering health and serving as a trusted partner in safeguarding public well-being.

While we maintain a sense of optimism following the robust recovery experienced in the first half of FY2024, we are also mindful of the challenges posed by inflationary pressures, high interest rates, and geopolitical uncertainties. We are committed to ensuring the adaptability and resilience of our business in this evolving environment, as we have demonstrated.

Nonetheless, we maintain a steadfastly positive outlook for the healthcare industry and the growth potential of the generic drugs market. Key drivers, such as increased government healthcare investment (e.g., the Chronic Disease Co-Care Pilot Scheme – CDCC), generics substitution policies, an aging population, increasing prevalence of chronic diseases, and heightened demand for improved healthcare, will continue to drive growth in both essential and specialty medicines.

Our business stands on a solid foundation, bolstered by clear recovery trends in both Public and Private Sectors of our market. We will continue to focus on advancing our growth strategies and solidifying our position as an eminent provider of essential and specialty medicines in Hong Kong and Asia.

To enhance our market position, our strategic priorities will revolve around maximising commercial opportunities from our portfolio, bolstering product pipelines through in-licensing and in-house R&D, establishing a robust commercial platform for marketing and regulatory affairs management to facilitate collaboration with regional and international partners, and expanding our footprint in key Asian markets.

CORPORATE DEVELOPMENT

DISTRIBUTION IN SPECIE OF JBM HEALTHCARE SHARES

The Company has on 1 August 2023 convened the 2023 AGM and passed the resolution of the declaration and payment of a special dividend in the form of a distribution in specie of 492,259,244 JBM Healthcare Shares on a basis of 509 JBM Healthcare Shares for every 2,000 shares in the capital of the Company. Details of the distribution in specie were set out in the circular of the Company dated 10 July 2023.

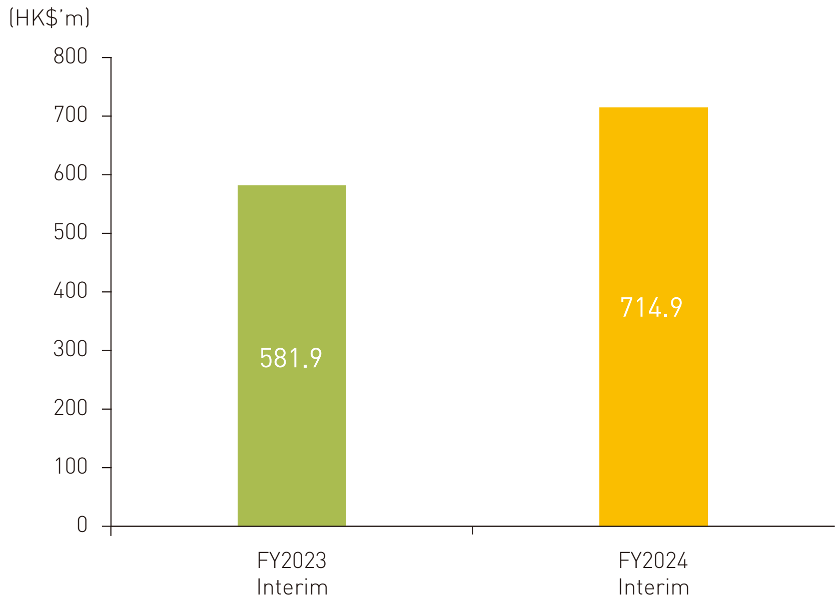
REMUNERATION POLICY

As of 30 September 2023, the Group has a total of 1,588 employees (compared to 1,567 employees as of 30 September 2022). For the Reporting Period, the total staff cost of the Group was HK$215.4 million, compared to HK$182.0 million for the six months ended 30 September 2022 with the corresponding enhancement in staff deployment supporting the growth and development of the Group. In order to attract and retain talents, the Group has raised the remuneration package of our employees during the Reporting Period. All of the Group's employees have entered into standard employment contracts with the Group. Remuneration packages for the Group's employees in general comprise one or more of the following elements: basic salary, sales-related incentives, productivity-related incentives and work performance bonuses. The Group sets out performance attributes for its employees based on their positions and job functions. It periodically reviews their work performance against the Group's strategic objectives and targets. The results of such reviews are taken into consideration when assessing salary adjustments, bonus awards, promotions, staff development plans and training needs. The Group provides various benefit schemes to its employees including annual leave entitlement, mandatory provident fund, group medical insurance and life insurance. A workers union has been established for the Group's employees in China according to local labour laws. As of 30 September 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



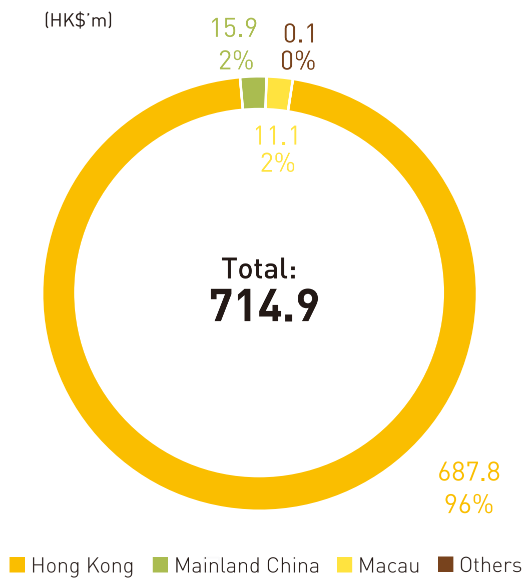
The Group's business has shown significant growth during the Reporting Period, with an increase in sales revenue of HK$133.0 million or 22.9% over the FY2023 Interim. This strong business performance can be attributed to the sustained economic recovery and the upswing in social activities following the lifting of pandemic-related measures, facilitating the resurgence of medical consultation visits.

In addition, the demand for cold and flu treatments has surged due to the removal of mask-wearing mandates and a decline in overall community immunity against seasonal flu. This heightened susceptibility to influenza infections has resulted in a sustained increase in flu cases, particularly among school children. As a consequence, the demand for cold and flu treatments has risen notably, especially within the Private Sector, during the Reporting Period.

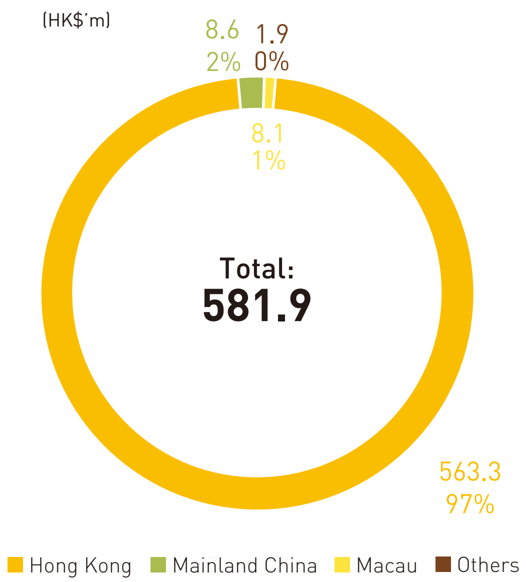
Moreover, the Public Sector experienced solid and stable growth during the Reporting Period, driven by robust demand for medications among the aging population and chronic disease patients, as well as newly awarded public tenders.

Revenue from continuing operations by geographic locations

FY2024 Interim



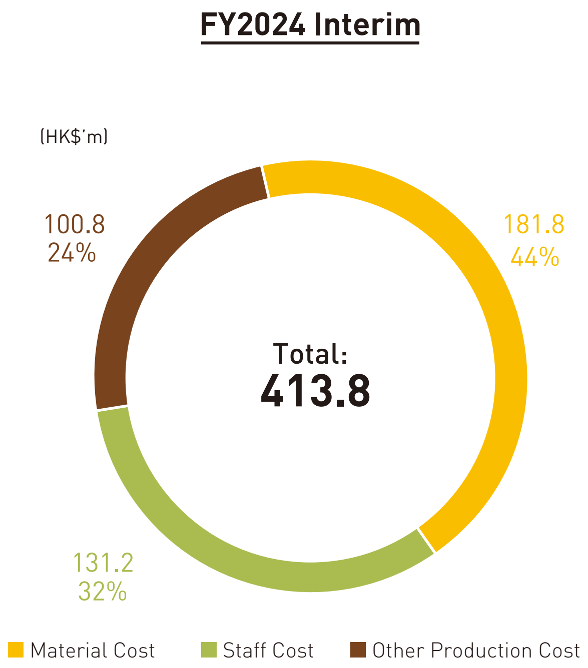
FY2023 Interim

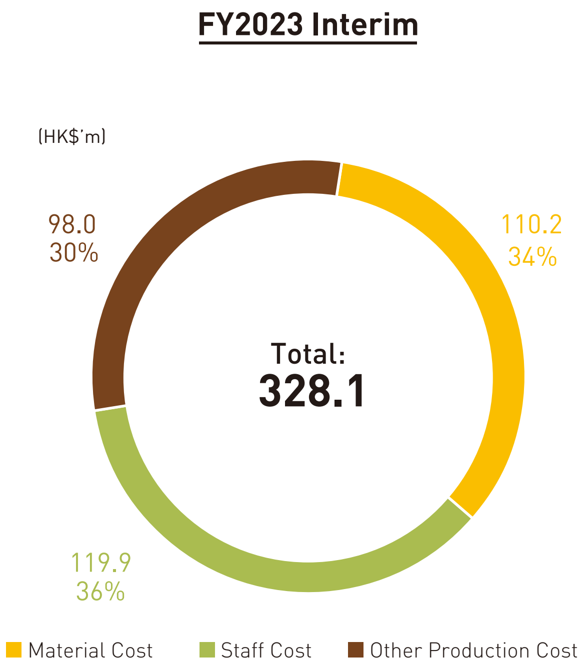


During the Reporting Period, Hong Kong remained the primary revenue driver, accounting for 96% of the total revenue and delivering a notable increase of HK$124.5 million or 22.1% compared to the FY2023 Interim. This growth, attributed to heightened demand for the Group's essential drugs and specialty medicines, was fueled by Hong Kong's return to normalcy and the upswing in social activities that facilitated the resurgence in medical consultation visits, alongside in a sustained increase in flu cases. The substantial demand for medications, propelled by an aging population and the prevalence of chronic diseases in Hong Kong, further contributed to this noteworthy performance.

The revenue surge in Mainland China, amounting to HK$7.3 million or 85.4%, was primarily driven by the heightened demand for cold and flu range products during the Reporting Period. In Macau, a revenue increase of HK$3.0 million or 37.0% was predominantly a result of eased travel restrictions during the Reporting Period. Conversely, the decline in revenue from other overseas markets stemmed from weakened demand in certain Southeast Asian countries during the Reporting Period.

COST OF SALES



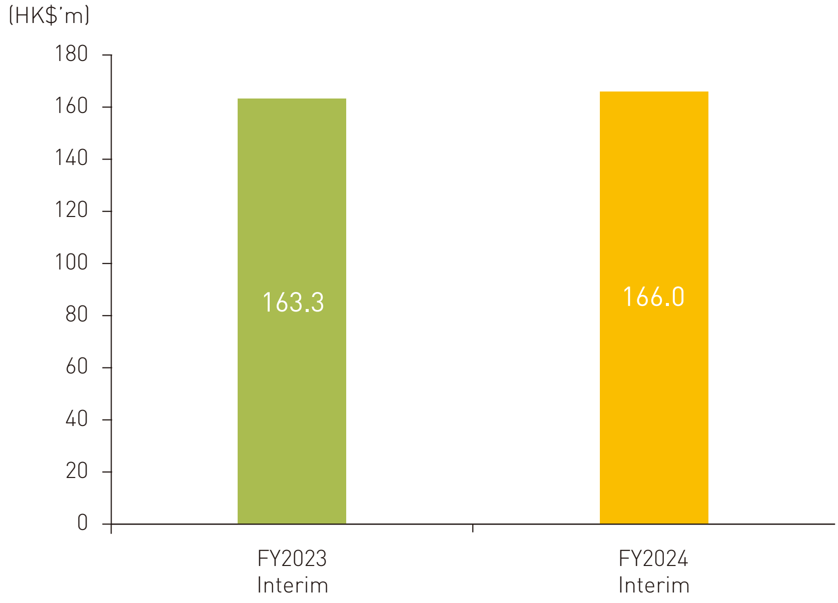


The increase in cost of sales of HK$85.7 million or 26.1% was generally in line with the overall sales growth of the Group during the Reporting Period. Material cost continued to be the major component contributing approximately 44% of the total cost of sales, while staff cost and other production cost contributed 32% and 24% respectively.

The increase in material cost of HK$71.6 million or 65.0% was attributable to the increased production volume as a result of the uplifted sales demand, raising procurement cost of production materials and change in sales mix during the Reporting Period.

The increase in staff cost of HK$11.3 million or 9.4% is indicative of the increased production volume necessary to meet the heightened demand for our products and the salary increments implemented to attract and retain production staff during the Reporting Period. Given the significant increase in production volume resulting from increased sales demand, other production costs only experienced a marginal increase of HK$2.8 million or 2.9%. This modest increase can be attributed to the successful implementation of an optimisation program and cost rationalisation measures.

PROFIT FROM OPERATIONS



The increase in profit from operations by HK$2.7 million or 1.7% to HK$166.0 million was mainly attributable to the growth in sales, offset partially by the one-off Employment Support Scheme subsidy from the Hong Kong Government of HK$22.1 million recognised during FY2023 Interim as other net income, the decrease in net distribution and logistic service income of HK$13.1 million and the increase in operating expenses as a result of business expansion during the Reporting Period.

Excluding the one-off Employment Support Scheme subsidy from the Hong Kong Government, the profit from operations increased by HK$24.8 million or 17.6%.

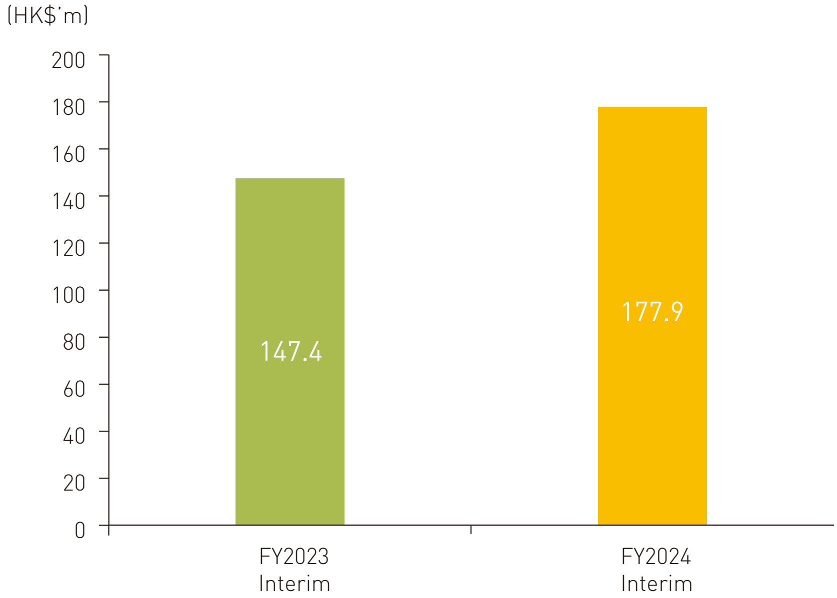
FINANCE COSTS

The significant increase in finance costs by HK$27.9 million or 142.2% was mainly attributable to the raising interest rates in the market during the Reporting Period.

INCOME TAX

The decrease in income tax primarily reflected the lower profits before taxation for FY2024 Interim compared to FY2023 Interim after excluding the non-taxable one-off Employment Support Scheme subsidy from the Hong Kong Government of HK$22.1 million recognised during FY2023 Interim.

PROFIT FOR THE PERIOD



The profit for the period increased significantly by HK$30.5 million or 20.7% to HK$177.9 million, which reflected the significant sales growth, the one-off net gain on distribution in specie of HK$28.2 million resulted from the distribution in specie of JBM Healthcare Shares on 24 August 2023 and the increase in profit contributed by the discontinued operations, the branded healthcare segment, by HK$23.9 million which was driven primarily by strong performance of its proprietary Chinese medicines and branded medicines, offset partially by the increase in operating expenses as a result of business expansion and finance costs due to the raising interest rates in the market during the Reporting Period.

Excluding the one-off Employment Support Scheme subsidy from the Hong Kong Government, the profit for the period increased by HK$52.6 million or 42.0%.

ASSETS

Property, plant and equipment and investment properties

The decrease in property, plant and equipment and investment properties principally reflected the depreciation of HK$68.4 million and the segregation of the JBM Healthcare Group from the Group as a result of the distribution in specie of JBM Healthcare Shares on 24 August 2023 (JBM Healthcare Group had property, plant and equipment of HK$133.4 million as at 24 August 2023), which was offset partially by the additions of HK$23.1 million mainly arose from the acquisitions of properties, plant and machinery used by our pharmaceutical manufacturing plants and the acquisitions of investment properties of HK$22.1 million.

Intangible assets

The decrease in intangible assets was primarily attributable to the amortisation of HK$17.7 million and the segregation of the JBM Healthcare Group from the Group as a result of the distribution in specie of JBM Healthcare Shares on 24 August 2023 (JBM Healthcare Group had intangible assets of HK$860.6 million as at 24 August 2023).

Inventories

The decrease in inventories was mainly resulted from the segregation of the JBM Healthcare Group from the Group as a result of the distribution in specie of JBM Healthcare Shares on 24 August 2023 (JBM Healthcare Group had inventories of HK$59.4 million as at 24 August 2023).

Cash and cash equivalents

As at 30 September 2023, approximately 99.5% of cash and cash equivalents were denominated in Hong Kong dollars (as at 31 March 2023: 98.9%), while the remaining balances were denominated in Euros, United Stated dollars, Renminbi, Taiwan dollars and Macau pataca.

LIABILITIES

Bank loans

The decrease in bank loans as at 30 September 2023 was mainly attributable to partial repayment of the syndicated loan of HK$116.0 million during the Reporting Period for optimising the Group's financial leverage, as well as the segregation of the JBM Healthcare Group from the Group as a result of the distribution in specie of JBM Healthcare Shares on 24 August 2023 (JBM Healthcare Group had bank loans of HK$130.0 million as at 24 August 2023). As at 30 September 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 2023 and 30 September 2023 respectively, and the expected timeline of the use of the unutilised IPO Proceeds:

Use of IPO Proceeds	Proposed application* HK$'000	As at 31 March 2023 Actual utilised amount HK$'000	As at 31 March 2023 Unutilised amount HK$'000	As at 30 September 2023 Actual utilised amount HK$'000	As at 30 September 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*	85,340	13,109	**89,080**	**9,369**	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	682,431	13,109	**686,171**	**9,369**	

* 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

As at 30 September 2023, the Group had no assets pledged against bank loans. The carrying value of assets pledged against bank loans was HK$73.9 million as at 31 March 2023.

NET GEARING RATIO

The net gearing ratio of the Group (bank loans less cash and cash equivalents, divided by total equity multiplied by 100%) increased from 15.6% as at 31 March 2023 to 17.8% as at 30 September 2023, mainly attributable to the segregation of the JBM Healthcare Group from the Group as a result of the distribution in specie of JBM Healthcare Shares on 24 August 2023 (JBM Healthcare Group had cash and cash equivalents of HK$152.2 million as at 24 August 2023).

To further optimise the financial positions and reduce interest costs of the Group, the Group further repaid its bank loans after 30 September 2023. As at the date of this interim report, the outstanding loan balance of the Group was HK$872.0 million.

FINANCIAL RISK ANALYSIS

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

CONTINGENT LIABILITIES

As at 30 September 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 30 September 2023 and up to the date of this interim report.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

- The Group is also exposed to risks of liability and loss due to defective products as well as damage to the Group's reputation. While the Group has taken out product liability insurance, the insured amount may not be sufficient to cover all damages claimed. The Group has a designated production and quality assurance team to monitor product quality in each manufacturing plant to ensure they are in compliance with respective specifications.

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

OTHER INFORMATION

CORPORATE GOVERNANCE HIGHLIGHTS

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

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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

DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

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

As disclosed in the Company's announcement dated 6 April 2022, the Company (as guarantor) has on 6 April 2022 entered into a facility agreement (the "**Facility Agreement**") with an indirect wholly-owned subsidiary of the Company (the "**Borrower**") as borrower, certain of the Company's indirect wholly-owned subsidiaries as other guarantors, the Hongkong and Shanghai Banking Corporation Limited ("**HSBC**") as mandated lead arranger and bookrunner, Chong Hing Bank Limited, Bank of China (Hong Kong) Limited, Bank of Communications (Hong Kong) Limited and China Construction Bank (Asia) Corporation Limited as mandated lead arrangers and various financial institutions as lead arrangers, pursuant to which a syndicate of banks as lenders have agreed to provide a syndicated loan to the Borrower. The facility amount is HK$1,400,000,000 and the final maturity date of the syndicated loan shall be 36 months after the date of the Facility Agreement. As at the date of this interim report, the outstanding balance of the syndicated loan was HK$872,000,000.

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

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

REVIEW OF INTERIM RESULTS

The interim results for the six months ended 30 September 2023 are unaudited, but have been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants, whose review report is included on page 24.

The Audit Committee, together with management of the Company, has also reviewed the interim results for the six months ended 30 September 2023.

INTERIM DIVIDEND

The Board declared the payment of an interim dividend per Share for the six months ended 30 September 2023 of HK2.5 cents for the total amount of approximately HK$48.4 million (six months ended 30 September 2022: HK2.8 cents). The interim dividend will be paid on 10 January 2024 (Wednesday) to shareholders whose names appear on the register of members of the Company on 21 December 2023 (Thursday), the record date. The details of interim dividend of the Group are set out in note 9 to the unaudited interim financial report.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of shareholders of the Company to receive the interim dividend, the register of members of the Company will be closed from 20 December 2023 (Wednesday) to 21 December 2023 (Thursday), both days inclusive, during which period no transfer of Shares will be registered. All transfer documents, accompanied by the relevant share certificates, shall be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on 19 December 2023 (Tuesday).

CHANGE OF INFORMATION ON DIRECTORS

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

Mr. Young Chun Man, Kenneth, an independent non-executive Director, has been appointed as an independent non-executive director of Soundwill Holdings Limited (a company listed on the Main Board, stock code: 878) with effect from 16 June 2023.

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

As at 30 September 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:

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	1,181,638,000	61.09%	Long position
Mr. Yim Chun Leung	Beneficial owner	36,420,000	1.88%	Long position
Ms. Pun Yue Wai	Beneficial owner	6,310,000	0.32%	Long position
Dr. Lam Kwing Tong, Alan	Interests of spouse	600,000	0.03%	Long position

Note:

(1) Mr. Sum is the registered and beneficial owner of 14,350,000 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.

Save as disclosed above, so far as known to any Directors as at 30 September 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 30 September 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	1,181,638,000	61.09%	Long position
Yunnan Baiyao Group[5]	Beneficial owner	200,000,000	10.34%	Long position
Longjin Investments Limited[6]	Beneficial owner	157,050,000	8.11%	Long position
Mr. Lau Wing Hung[6]	Interest in controlled corporation	157,050,000	8.11%	Long position

Notes:

(1) Mr. Sum is the sole shareholder of Queenshill. By virtue of the SFO, Mr. Sum is deemed to be interested in the 308,404,000 Shares held by Queenshill.

(2) UBS Trustees (B.V.I.) Limited, the trustee of The Kingshill Trust, holds the entire issued share capital of Trust Co through its nominee, UBS Nominees Limited. Trust Co holds the entire issued share capital of Kingshill. Kingshill in turn holds 850,684,000 Shares. 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 14,350,000 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 Investments Limited ("**Longjin**") is owned as to 75% by Mr. Lau Wing Hung ("**Mr. Lau**"). By virtue of SFO, Mr. Lau is deemed to be interested in the 157,050,000 Shares held by Longjin.

Save as disclosed above, as at 30 September 2023, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

* *For identification purpose only*

SHARE OPTION SCHEME

The Share Option Scheme 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 its shareholders, and to maintain or attract business relationship with the qualified participants whose contributions are or may be beneficial to the growth of our Group.

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

The life of the Share Option Scheme is ten years commencing on 30 August 2016 and expiring on 29 August 2026. As at 30 September 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 interim report.

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

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

The total number of Shares issued and to be issued to each participant under the Share Option Scheme on exercise of his/her options (including both exercised and outstanding options) during any 12-month period shall not exceed 1% of the total Shares 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 30 September 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 30 September 2023 and 1 April 2023, there were no share options outstanding under the Share Option Scheme.

SHARE AWARD SCHEME

The Share Award Scheme was adopted by the Board on 16 October 2018 and amended on 21 September 2023. The purpose of the Share Award Scheme is to recognise and reward the contribution of certain eligible person(s) for the growth and development of the Group and to provide them with incentives in order to retain them for the continual operation, development and long-term growth of the Group and to attract suitable personnel for further development of the Group.

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

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

The Share Award Scheme was adopted before the amended Chapter 17 of the Listing Rules became effective on 1 January 2023. Since 1 January 2023, the Share Award Scheme constitutes a share scheme for the purpose of Chapter 17 of the Listing Rules.

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 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). The Award Committee may, at its discretion, determine the vesting criteria and conditions or period for the share award to be vested. No payment by the selected participant is required for acceptance of the share award granted under the Share Award Scheme. Details of the rules of the Share Award Scheme were set out in the announcement of the Company dated 16 October 2018. On 21 September 2023, the Share Award Scheme was amended such that the scheme will be funded by existing Shares only.

During the Reporting Period, the Trustee has not purchased any 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 30 September 2023, 21,650,000 Shares were held by the Trustee. During the Reporting Period, no Share was issued to the Trustee under the Share Award Scheme, and 4,750,000 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 2023**	**Granted during the Reporting Period**	**Vested during the Reporting Period**	**Lapsed/ Cancelled during the Reporting Period**	**Balance as at 30 September 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	13 April 2023	–	–	2,750,000	(2,750,000)	–	–	30 May 2023	0.94	0.94
Mr. Yim Chun Leung	13 April 2023	–	–	1,000,000	(1,000,000)	–	–	30 May 2023	0.94	0.94
Ms. Pun Yue Wai	13 April 2023	–	–	400,000	(400,000)	–	–	30 May 2023	0.94	0.94
Five highest paid individuals[1]	1 December 2022	–	1,000,000	–	–	–	1,000,000	1 December 2023	0.89	0.87
	13 April 2023	–	–	4,750,000	(4,750,000)	–	–	30 May 2023	0.94	0.94

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 the 2023 annual report of the Company.

(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$0.92 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.

REVIEW REPORT TO THE BOARD OF DIRECTORS

Review report to the board of directors
Jacobson Pharma Corporation Limited
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 25 to 46 which comprises the consolidated statement of financial position of Jacobson Pharma Corporation Limited (the "**Company**") as of 30 September 2023 and the related consolidated statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 September 2023 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

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

24 November 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023 – unaudited

	Note	Six months ended 30 September 2023 HK$'000	2022 (Restated) HK$'000
Continuing operations			
Revenue	4	714,918	581,891
Cost of sales		(413,839)	(328,083)
Gross profit		301,079	253,808
Other net income	5	27,489	41,806
Selling and distribution expenses		(64,775)	(54,392)
Administrative and other operating expenses		(97,820)	(77,926)
Profit from operations		165,973	163,296
Finance costs	6(A)	(47,445)	(19,587)
Share of profits/(losses) of associates		332	(983)
Profit before taxation	6	118,860	142,726
Income tax	7	(21,579)	(23,844)
Profit for the period from continuing operations		97,281	118,882
Discontinued operations			
Profit for the period from discontinued operations	19(A)	52,392	28,486
Net gain on distribution in specie	19(C)	28,217	–
Profit for the period		177,890	147,368
Other comprehensive income for the period			
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		(3,548)	(29,222)
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		(2,177)	(3,998)
Release of exchange reserve upon disposal of a subsidiary		102	–
Release of exchange reserve upon distribution in specie	19(C)	418	–
Other comprehensive income for the period		(5,205)	(33,220)
Total comprehensive income for the period		172,685	114,148
Profit attributable to:			
Equity shareholders of the Company		154,040	136,192
Non-controlling interests		23,850	11,176
Total profit for the period		177,890	147,368
Profit attributable to equity shareholders of the Company arises from:			
– Continuing operations		97,308	107,706
– Discontinued operations		56,732	28,486
		154,040	136,192
Total comprehensive income attributable to:			
Equity shareholders of the Company		149,932	102,972
Non-controlling interests		22,753	11,176
Total comprehensive income for the period		172,685	114,148
Total comprehensive income attributable to equity shareholders of the Company arises from:			
– Continuing operations		94,673	80,956
– Discontinued operations		55,259	22,016
		149,932	102,972
		HK cents	HK cents
Earnings per share			
Basic and diluted	8		
Continuing operations		5.09	5.62
Discontinued operations		2.97	1.48
		8.06	7.10

Note: The results of branded healthcare segment are classified as discontinued operations of the Group during the six months ended 30 September 2023. In this regard, the Group has restated the comparative information for the six months ended 30 September 2022.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2023 – unaudited

	Note	As at 30 September 2023 HK$'000	As at 31 March 2023 HK$'000
Non-current assets			
Investment properties		**321,336**	181,172
Property, plant and equipment	10	**1,204,586**	1,502,148
Intangible assets		**445,941**	1,320,075
Interests in associates		**23,704**	51,821
Interests in joint ventures		**–**	3,616
Other non-current assets		**50,830**	39,693
Other financial assets	12	**507,069**	514,330
Deferred tax assets		**15,229**	10,231
		2,568,695	3,623,086
Current assets			
Inventories		**302,824**	368,003
Trade and other receivables	11	**244,198**	351,360
Current tax recoverable		**779**	1,632
Cash and cash equivalents	13	**871,048**	1,036,418
		1,418,849	1,757,413
Current liabilities			
Trade and other payables and contract liabilities	14	**207,296**	283,653
Bank loans		**830,004**	309,554
Lease liabilities		**29,030**	34,823
Current tax payable		**39,308**	28,405
		1,105,638	656,435
Net current assets		**313,211**	1,100,978
Total assets less current liabilities		**2,881,906**	4,724,064
Non-current liabilities			
Bank loans		**450,916**	1,234,153
Lease liabilities		**12,961**	20,534
Deferred tax liabilities		**112,626**	212,855
		576,503	1,467,542
NET ASSETS		**2,305,403**	3,256,522
CAPITAL AND RESERVES			
Share capital	15(A)	**19,126**	19,078
Reserves		**2,262,016**	2,717,611
Total equity attributable to equity shareholders of the Company		**2,281,142**	2,736,689
Non-controlling interests		**24,261**	519,833
TOTAL EQUITY		**2,305,403**	3,256,522

The notes on pages 29 to 46 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023 – unaudited

		Attributable to equity shareholders of the Company									
	Note	Share capital HK$'000	Share premium HK$'000	Shares held for share award schemes HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Fair value reserve (non-recycling) HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2022		19,157	999,895	(24,576)	134,104	6,960	(25,271)	1,381,047	2,491,316	466,649	2,957,965
Profit for the period		–	–	–	–	–	–	136,192	136,192	11,176	147,368
Other comprehensive income		–	–	–	–	(3,998)	(29,222)	–	(33,220)	–	(33,220)
Total comprehensive income for the period		–	–	–	–	(3,998)	(29,222)	136,192	102,972	11,176	114,148
Dividend declared and payable	9(B)	–	–	–	–	–	–	(50,998)	(50,998)	–	(50,998)
Employee share award scheme – value of employee services	15(B)(i)	–	–	–	6,500	–	–	–	6,500	–	6,500
Shares held for Share Award Scheme	15(B)(i)	(228)	–	(19,258)	–	–	–	–	(19,486)	–	(19,486)
Shares vested under the Share Award Scheme	15(B)(i)	100	–	13,253	(6,500)	–	–	(6,853)	–	–	–
Shares held for JBM Healthcare share award scheme	15(B)(iii)	–	–	(2,998)	–	–	–	–	(2,998)	–	(2,998)
Acquisition of non-controlling interests		–	–	–	332	–	–	–	332	(1,278)	(946)
At 30 September 2022		19,029	999,895	(33,579)	134,436	2,962	(54,493)	1,459,388	2,527,638	476,547	3,004,185
At 1 April 2023		19,078	999,895	(30,230)	138,170	4,277	137,869	1,467,630	2,736,689	519,833	3,256,522
Profit for the period		-	-	-	-	-	-	154,040	154,040	23,850	177,890
Other comprehensive income		-	-	-	-	(1,657)	(2,451)	-	(4,108)	(1,097)	(5,205)
Total comprehensive income for the period		-	-	-	-	(1,657)	(2,451)	154,040	149,932	22,753	172,685
Dividend declared and paid	9(B)	-	-	-	-	-	-	(45,519)	(45,519)	-	(45,519)
Dividends paid by subsidiaries attributable to non-controlling interests		-	-	-	-	-	-	-	-	(10,514)	(10,514)
Disposal of a subsidiary		-	-	-	308	-	-	(308)	-	-	-
Realised losses on disposals of equity investments designated at FVOCI (non-recycling)		-	-	-	-	-	2,955	(2,955)	-	-	-
Employee share award schemes – value of employee services	15(B)	-	-	-	10,828	-	-	-	10,828	-	10,828
Shares vested for the Share Award Scheme	15(B)(i)	48	-	4,488	(4,536)	-	-	-	-	-	-
JBM Healthcare Shares vested for share award scheme of JBM Healthcare	15(B)(iii)	-	-	5,184	(12,340)	-	-	996	(6,160)	6,160	-
Distribution in specie	19	-	-	103	19,348	-	17,087	(601,166)	(564,628)	(513,971)	(1,078,599)
At 30 September 2023		19,126	999,895	(20,455)	151,778	2,620	155,460	972,718	2,281,142	24,261	2,305,403

The notes on pages 29 to 46 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2023 – unaudited

		Six months ended 30 September	
	Note	2023 HK$'000	2022 HK$'000
Operating activities			
Cash generated from operations		287,270	313,802
Income tax paid		(10,934)	(5,815)
Net cash generated from operating activities		276,336	307,987
Investing activities			
Payment for purchase of property, plant and equipment, intangible assets and other assets		(64,038)	(13,873)
Proceeds from disposals of property, plant and equipment		113	20
Proceeds from sale of other financial assets		6,894	–
Proceeds from disposal of equity interests of an associate		9,120	–
Interest received		16,418	3,294
Payment for acquisition of non-controlling interests		–	(908)
Decrease in non-pledged time deposits with original maturity of over three months		100,000	–
Dividend received from an investment		1,698	–
Net cash generated from/(used in) investing activities		70,205	(11,467)
Financing activities			
Capital element of lease rentals paid		(19,546)	(20,489)
Interest element of lease rentals paid		(771)	(800)
Proceeds from bank loans		32,000	1,400,000
Repayment of bank loans		(173,000)	(1,241,650)
Distribution in specie	19(C)	(152,154)	–
Dividends paid	9(B)	(45,519)	–
Dividends paid by subsidiaries to non-controlling interests		(10,514)	–
Payments for shares held for Share Award Scheme	15(B)(i)	–	(19,486)
Payments for shares held for JBM Healthcare share award scheme	15(B)(iii)	–	(3,036)
Other borrowing costs paid		(41,721)	(27,938)
Net cash (used in)/generated from financing activities		(411,225)	86,601
Net (decrease)/increase in cash and cash equivalents		(64,684)	383,121
Cash and cash equivalents at 1 April		936,418	478,653
Effect of foreign exchange rate changes		(686)	(1,365)
Cash and cash equivalents at 30 September	13	871,048	860,409

The notes on pages 29 to 46 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Corporate Information

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

2 Basis of Preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of Listing Rules, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). It was authorised for issue on 24 November 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the consolidated financial statements for the year ended 31 March 2023, except for the accounting policy changes that are expected to be reflected in the consolidated financial statements for the year ending 31 March 2024. Details of any changes in accounting policies are set out in note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the financial statements for the year ended 31 March 2023. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

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

The financial information relating to the year ended 31 March 2023 that is included in the interim financial report as comparative information does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements.

3 Changes in Accounting Policies

(A) NEW AND AMENDED HKFRSs

The Group has applied the following new and amended HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

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 new and amended HKFRSs are discussed below:

HKFRS 17, *Insurance contracts*

HKFRS 17, which replaces HKFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on the financial statements as the Group does not have contracts within the scope of HKFRS 17.

3 Changes in Accounting Policies (Continued)

(A) NEW AND AMENDED HKFRSs (Continued)

Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on the financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in the annual financial statements, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development, including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax. The amendments are immediately effective upon issuance and require retrospective application. The amendments do not have a material impact on the financial statements as the Group's effective tax rate is above minimum rate required by Pillar Two rules.

(B) NEW HKICPA GUIDANCE ON THE ACCOUNTING IMPLICATIONS OF THE ABOLITION OF THE MPF-LSP OFFSETTING MECHANISM

In June 2022, the Government of HKSAR (the "**Government**") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**"), which will eventually abolish the statutory right of an employer to reduce its long service payment ("**LSP**") and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the mandatory provident fund ("**MPF**") scheme (also known as the "**offsetting mechanism**"). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1 May 2025 (the "**Transition Date**"). Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP. However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 and recognise such deemed contributions as reduction of current service cost in the period the related service is rendered, and any impact from ceasing to apply the practical expedient is recognised as a catch-up adjustment in profit or loss with a corresponding adjustment to the LSP liability during the year ended 31 March 2023.

3 Changes in Accounting Policies (Continued)

(B) NEW HKICPA GUIDANCE ON THE ACCOUNTING IMPLICATIONS OF THE ABOLITION OF THE MPF-LSP OFFSETTING MECHANISM (Continued)

In this interim financial report and in prior periods, consistent with the HKICPA guidance the Group has been accounting for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed employee contributions towards the LSP. However, the Group has been applying the above-mentioned practical expedient.

The Group has assessed the implications of this new guidance on the above accounting policies and has decided to change those accounting policies to conform with the guidance. The management has commenced the processes on implementing the change including additional data collection and impact assessment. However, the impact of the change is not reasonably estimable at the time this interim financial report is authorised for issue, as the Group has yet to fully complete its assessment of the impact of the HKICPA guidance. The Group expects to adopt this guidance with retrospective application in its annual financial statements for the year ending 31 March 2024.

4 Revenue and Segment Reporting

(A) REVENUE

The principal activities of the Group are development, production, marketing and sale of generic drugs. All the revenue for the six months ended 30 September 2023 and 2022 was recognised in accordance with HKFRS 15, *Revenue from contracts with customers*.

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

(B) SEGMENT REPORTING

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

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

– Branded healthcare: this segment develops, manufactures and/or distributes branded medicines, proprietary Chinese medicines and health and wellness products. Currently the activities in this regard are primarily carried out in Hong Kong.

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. To arrive at adjusted EBITDA, the Group's earnings are further adjusted for share of profits/(losses) of associates, share of losses of joint ventures and non-recurring items not attributable to the operations of individual segments.

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

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

As discussed in note 19, the Group no longer engages in branded healthcare operation. The results of this segment have been classified as discontinued operations of the Group during the six months ended 30 September 2023. In this regard, the Group has restated the comparative information for the six months ended 30 September 2022.

4 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 period is set out below:

	Continuing operations Generic drugs		Discontinued operations Branded healthcare		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2023	2022 (Restated)	2023	2022 (Restated)	2023	2022 (Restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers recognised at a point in time	714,918	581,891	242,521	235,462	957,439	817,353
Inter-segment revenue	16	40	1,381	1,386	1,397	1,426
Reportable segment revenue	714,934	581,931	243,902	236,848	958,836	818,779
Reportable segment profit (adjusted EBITDA)	218,128	233,780	82,734	56,823	300,862	290,603

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

	Continuing operations		Discontinued operations	
	Six months ended 30 September		Six months ended 30 September	
	2023	2022 (Restated)	2023	2022 (Restated)
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue				
Reportable segment revenue	714,934	581,931	243,902	236,848
Elimination of inter-segment revenue	(16)	(40)	(1,381)	(1,386)
Consolidated revenue	714,918	581,891	242,521	235,462
Profit				
Reportable segment profit	218,128	233,780	82,734	56,823
Elimination of inter-segment profit	(8)	(5)	(211)	(141)
Reportable segment profit derived from Group's external customers	218,120	233,775	82,523	56,682
Interest income from bank deposits and investments	15,935	3,287	483	7
Dividend income from an investment	1,698	–	–	–
Gain on disposal of equity interests of an associate	1,623	–	–	–
Depreciation and amortisation	(71,403)	(73,766)	(14,699)	(18,945)
Finance costs	(47,445)	(19,587)	(3,260)	(2,667)
Share of profits/(losses) of associates	332	(983)	(600)	(516)
Share of losses of joint ventures	–	–	(2)	(519)
Consolidated profit before taxation	118,860	142,726	64,445	34,042

4 Revenue and Segment Reporting (Continued)

(B) SEGMENT REPORTING (Continued)

(iii) Geographic information

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

	Continuing operations		Discontinued operations	
	Six months ended 30 September		Six months ended 30 September	
	2023	2022 (Restated)	2023	2022 (Restated)
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers				
Hong Kong (place of domicile)	687,837	563,268	179,022	148,051
Mainland China	15,887	8,567	39,226	57,684
Macau	11,126	8,119	11,894	13,497
Singapore	68	139	4,648	5,368
Others	–	1,798	7,731	10,862
	714,918	581,891	242,521	235,462

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

	As at 30 September 2023 HK$'000	As at 31 March 2023 HK$'000
Specified non-current assets		
Hong Kong (place of domicile)	1,929,585	2,964,728
Mainland China	26,137	42,278
Macau	139	149
Taiwan	4,365	5,111
Cambodia	86,171	86,259
	2,046,397	3,098,525

(iv) Information about major customers

For the six months ended 30 September 2023, the Group's customer base includes one (six months ended 30 September 2022: one) customer of generic drugs with whom transactions have exceeded 10% of the Group's revenue. Revenue from sales of generic drugs products to this customer, including sales to entities which are known to the Group to be under common control amounted to approximately HK$335,003,000 (six months ended 30 September 2022 (restated): HK$293,677,000).

5 Other Net Income

	Continuing operations		Discontinued operations	
	Six months ended 30 September		Six months ended 30 September	
	2023	2022 (Restated)	**2023**	2022 (Restated)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Interest income from bank deposits and investments	**15,935**	3,287	**483**	7
Subcontracting income	**4,782**	2,992	**–**	–
Dividend income from an investment	**1,698**	–	**–**	–
Gain on disposal of equity interests of an associate	**1,623**	–	**–**	–
Rental income	**1,336**	382	**–**	–
Net distribution and logistic service income	**709**	13,774	**–**	–
Net gain/(loss) on disposals of property, plant and equipment and intangible assets	**31**	(743)	**(5)**	(61)
Net foreign exchange (loss)/gain	**(25)**	(297)	**2,440**	1,320
Government grants (Note)	**–**	22,050	**–**	4,589
Commission income	**–**	–	**1,041**	1,072
Others	**1,400**	361	**1,754**	222
	27,489	41,806	**5,713**	7,149

Note: During the six months ended 30 September 2022, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government. The purpose of the funding was 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 was required to employ a sufficient number of employees with reference to its proposed employee headcounts in each subsidy month.

6 Profit Before Taxation

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

	Continuing operations		Discontinued operations	
	Six months ended 30 September		Six months ended 30 September	
	2023	2022 (Restated)	**2023**	2022 (Restated)
	HK$'000	HK$'000	**HK$'000**	HK$'000
(A) Finance costs				
Interest on bank loans	**46,748**	18,879	**3,186**	2,575
Interest on lease liabilities	**697**	708	**74**	92
	47,445	19,587	**3,260**	2,667

	Continuing operations		Discontinued operations	
	Six months ended 30 September		Six months ended 30 September	
	2023	2022 (Restated)	**2023**	2022 (Restated)
	HK$'000	HK$'000	**HK$'000**	HK$'000
(B) Other items				
Amortisation of intangible assets	**10,373**	11,480	**7,346**	10,298
Depreciation				
– owned property, plant and equipment	**43,145**	43,455	**5,564**	6,400
– right-of-use assets	**17,885**	18,831	**1,789**	2,247
(Reversal)/write-down of inventories	**(168)**	(7,840)	**13**	1,020

7 Income Tax

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

	Continuing operations		Discontinued operations	
	Six months ended 30 September		Six months ended 30 September	
	2023	2022 (Restated)	**2023**	2022 (Restated)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current tax	**28,389**	21,067	**14,014**	7,927
Deferred taxation	**(6,810)**	2,777	**(1,961)**	(2,371)
	21,579	23,844	**12,053**	5,556

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (six months ended 30 September 2022: 16.5%) to the six months ended 30 September 2023. Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant jurisdictions.

8 Earnings Per Share

(A) BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the six months ended 30 September 2023 and the weighted average ordinary shares in issue during the period, calculated as follows:

(i) Weighted average number of ordinary shares:

	Six months ended 30 September	
	2023	2022
	'000	'000
Ordinary shares of the Company issued at the beginning of the period	**1,907,821**	1,915,677
Effect of ordinary shares vested under the Share Award Scheme (note 15(B)(i))	**3,219**	2,948
Weighted average number of ordinary shares in issue during the period	**1,911,040**	1,918,625

(ii) Profit attributable to equity shareholders

	Six months ended 30 September	
	2023	2022
	HK$'000	HK$'000
Profit attributable to equity shareholders		
– Continuing operations	**97,308**	107,706
– Discontinued operations	**56,732**	28,486
	154,040	136,192

8 Earnings Per Share (Continued)

(B) DILUTED EARNINGS PER SHARE

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company for the six months ended 30 September 2023 and the weighted average ordinary shares, calculated as follows:

(i) Weighted average number of ordinary shares

	Six months ended 30 September	
	2023	2022
	'000	'000
Weighted average number of ordinary shares at 30 September	**1,911,040**	1,918,625
Effect of share award granted under the Share Award Scheme (note 15(B)(i))	**1,000**	–
	1,912,040	1,918,625

(ii) Profit attributable to equity shareholders

	Six months ended 30 September	
	2023	2022
	HK$'000	HK$'000
Profit attributable to equity shareholders		
– Continuing operations	**97,308**	107,706
– Discontinued operations	**56,732**	28,486
	154,040	136,192

9 Dividends

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

	Six months ended 30 September	
	2023	2022
	HK$'000	HK$'000
Interim dividend declared after the relevant reporting period of HK2.5 cents per share (six months ended 30 September 2022: HK2.8 cents per share)	**48,356**	54,158

The interim dividend has not been recognised as a liability at the end of the relevant reporting period.

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

	Six months ended 30 September	
	2023	2022
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the following reporting period, of HK2.38 cents per share (six months ended 30 September 2022: Final dividend in respect of the previous financial year, approved and payable during the following reporting period, of HK2.68 cents per share)	**46,034**	51,837
Less: Dividend of shares held by Share Award Scheme	**(515)**	(839)
	45,519	50,998
Distribution in specie	**571,019**	–
Less: Dividend of shares held by Share Award Scheme	**(6,391)**	–
	564,628	–
	610,147	50,998

10 Property, Plant and Equipment

(A) RIGHT-OF-USE ASSETS

During the six months ended 30 September 2023, the Group entered into a number of lease agreements for use of warehouses and office buildings, and therefore recognised the additions to right-of-use assets of HK$10,464,000 (six months ended 30 September 2022: HK$24,859,000).

During the six months ended 30 September 2022, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19 and the amount of COVID-19 rent concessions is HK$208,000. During the six months ended 30 September 2023, the Group did not receive any rent concessions.

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

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

During the six months ended 30 September 2023, the Group acquired items of leasehold improvements, plant and machinery, motor vehicles, and furniture, fixtures and office equipment with a cost of HK$12,654,000 (six months ended 30 September 2022: HK$8,863,000). Items of plant and machinery and furniture, fixtures and office equipment with a net book value of HK$77,000 were disposed of during the six months ended 30 September 2023 (six months ended 30 September 2022: HK$264,000), resulting a gain on disposal of HK$31,000 (six months ended 30 September 2022 (restated): a loss on disposal of HK$183,000).

11 Trade and Other Receivables

	As at 30 September 2023 HK$'000	As at 31 March 2023 HK$'000
Trade receivables	**189,159**	288,231
Other receivables	**14,792**	9,321
Deposits and prepayments	**40,129**	52,104
Amounts due from associates	**118**	1,704
	244,198	351,360

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 30 September 2023 HK$'000	As at 31 March 2023 HK$'000
Less than 1 month	**132,488**	180,287
1 to 6 months	**56,573**	102,991
Over 6 months	**98**	4,953
	189,159	288,231

12 Other Financial Assets

	As at 30 September 2023 HK$'000	As at 31 March 2023 HK$'000
Non-current:		
Equity securities designated at fair value through other comprehensive income ("FVOCI") (non-recycling)		
– Unlisted	203,581	194,103
– Listed in Hong Kong	303,488	320,227
	507,069	514,330

13 Cash and Cash Equivalents

	As at 30 September 2023 HK$'000	As at 31 March 2023 HK$'000
Short-term deposits with banks	430,000	502,000
Cash at bank and in hand	441,048	534,418
Cash, bank balances and deposits	871,048	1,036,418
Less: Non-pledged time deposits with original maturity of over three months	–	(100,000)
Cash and cash equivalents in the consolidated cash flow statement	871,048	936,418

14 Trade and Other Payables and Contract Liabilities

	As at 30 September 2023 HK$'000	As at 31 March 2023 HK$'000
Trade payables	41,154	80,245
Salary and bonus payables	63,247	58,318
Payables and accruals for addition of property, plant and equipment	4	390
Other payables and accruals	47,955	87,815
Contract liabilities	54,936	54,885
Amount due to a joint venture	–	2,000
	207,296	283,653

AGEING ANALYSIS

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 30 September 2023 HK$'000	As at 31 March 2023 HK$'000
Less than 1 month	18,931	44,398
1 to 6 months	22,201	35,708
Over 6 months	22	139
	41,154	80,245

15 Capital and Reserves

(A) SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each at 31 March 2023, 1 April 2023 and 30 September 2023	5,000,000	50,000
Issued:		
At 31 March 2023 and 1 April 2023	1,907,821	19,078
Ordinary shares vested under the Share Award Scheme (note 15(B)(i))	4,750	48
At 30 September 2023	1,912,571	19,126

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(B) EQUITY SETTLED SHARE-BASED TRANSACTIONS

(i) Share Award Scheme

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

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

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

During the six months ended 30 September 2023, the trustee of the Share Award Scheme did not acquire any shares through purchases on the open market. During the six months ended 30 September 2022, the trustee of the Share Award Scheme acquired 22,756,000 shares through purchases on the open market. The total amount paid to acquire the shares during the period was approximately HK$19,486,000.

During the six months ended 30 September 2023, the Company has granted a total of 4,750,000 shares to eligible grantees, including certain directors of the Company and employees of the Group. During the six months ended 30 September 2022, the Company has granted and vested a total of 10,000,000 shares to eligible grantees, including certain directors of the Company and employees of the Group.

Details of the shares awarded under the Share Award Scheme during the six months ended 30 September 2023 are as follows:

	Number of Shares					
Date of grant	As at 1 April 2023	Granted during the period	Vested during the period	Lapsed during the period	As at 30 September 2023	Vesting period
1 December 2022	1,000,000	–	–	–	1,000,000	1 December 2023
13 April 2023	–	4,750,000	(4,750,000)	–	–	30 May 2023
	1,000,000	4,750,000	(4,750,000)	–	1,000,000	

Creating Values

15 Capital and Reserves (Continued)

(B) EQUITY SETTLED SHARE–BASED TRANSACTIONS (Continued)

(ii) Share Option Scheme

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

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

As at 1 April 2021, all the share options have lapsed and no share options were outstanding as at 30 September 2023 and 2022.

(iii) Share Award Scheme of JBM Healthcare

On 18 January 2021, there is a share award scheme adopted by 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).

During the period from 1 April 2023 to 24 August 2023, the trustee of the share award scheme of JBM Healthcare did not acquire any shares through purchases on the open market. During the six months ended 30 September 2022, the trustee of the share award scheme of JBM Healthcare acquired 3,814,000 shares at a total cost of HK$3,036,000, of which the share capital of the acquired shares amounted to HK$38,000.

There was no share award granted under the share award scheme of JBM Healthcare during the period from 1 April 2023 to 24 August 2023 and the six months ended 30 September 2022.

	Number of Shares					
Date of grant	As at 1 April 2023	Granted during the period from 1 April 2023 to 24 August 2023	Vested during the period from 1 April 2023 to 24 August 2023	Lapsed during the period from 1 April 2023 to 24 August 2023	As at 24 August 2023	Vesting date
30 March 2023	6,000,000	–	6,000,000	–	–	18 May 2023

16 Fair Value Measurement of Financial Instruments

(A) FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

(i) Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

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

The following table presents the Group's financial assets that were measured at fair value at 30 September 2023 and 31 March 2023.

	Fair value at 30 September 2023	**Fair value measurements at 30 September 2023 categorised into**		
		Level 1	**Level 2**	**Level 3**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets:				
Financial assets at FVOCI				
– Unlisted	**203,581**	**–**	**114,966**	**88,615**
– Listed in Hong Kong	**303,488**	**303,488**	**–**	**–**

	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:				
Financial assets at FVOCI				
– Unlisted	194,103	–	4,321	189,782
– Listed in Hong Kong	320,227	320,227	–	–

As at 30 September 2023, the fair value of the unlisted financial assets at FVOCI of HK$106,743,000 (31 March 2023: HK$67,067,000) were determined with reference to the pricing of the recent transactions or offerings of the investees' shares (31 March 2023: using discounted cash flow method). Accordingly, the fair value measurement was transferred from Level 3 to Level 2.

Except for the above mentioned financial assets, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 during the six months ended 30 September 2023. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

16 Fair Value Measurement of Financial Instruments (Continued)

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

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

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

(iii) Information about Level 3 fair value measurements

	Valuation technique	Significant unobservable inputs	Range
Unlisted financial assets at FVOCI	Discounted cash flow method	Discount rate	14% (31 March 2023: 14.0% – 20.0%)
	Market comparison approach	Discount for lack of marketability	20% (31 March 2023: 20%)

The fair value of unlisted equity instruments is determined using discounted cash flow method. The fair value measurement is negatively correlated to the discount rate. As at 30 September 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$3,173,000/HK$2,604,000 (as at 31 March 2023: HK$15,287,000/HK$12,989,000).

The fair value of unlisted equity instruments is determined using market comparison approach method. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 30 September 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$1,034,000/HK$1,034,000 (as at 31 March 2023: HK$1,162,000/HK$1,162,000).

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

	As at 30 September 2023 HK$'000	As at 30 September 2022 HK$'000
Financial assets at FVOCI – unlisted equity securities:		
At 1 April	**189,782**	52,786
Changes in fair value recognised in other comprehensive income during the reporting period	**(20,372)**	(24,593)
Transfer from Level 2	**–**	233,453
Transfer to Level 2	**(67,076)**	–
Distribution in specie	**(13,719)**	–
At 30 September	**88,615**	261,646

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

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair value as at 30 September 2023 and 31 March 2023.

17 Commitments

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

	As at 30 September 2023 HK$'000	As at 31 March 2023 HK$'000
Authorised and contracted for		
– Purchase of non-current assets	99,079	34,010

18 Material Related Party Transactions

KEY MANAGEMENT PERSONNEL EMOLUMENTS

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

	Six months ended 30 September	
	2023 HK$'000	2022 HK$'000
Short-term employee benefits	4,699	3,730
Post-employment benefits	185	174
Equity compensation benefits	9,829	3,900
	14,713	7,804

TRANSACTIONS WITH RELATED PARTIES

	Six months ended 30 September	
	2023 HK$'000	2022 HK$'000
Logistic services fee from fellow subsidiaries	1,715	1,566
Logistic services fee from related parties	467	–
Purchase from fellow subsidiaries (Manufacturing Services Agreement)	1,381	1,386
Purchase from related parties (Manufacturing Services Agreement)	705	–
Sales to fellow subsidiaries (Manufacturing Services Agreement)	50	40
Overseas sales administrative services fee from fellow subsidiaries	387	383
Overseas sales administrative services fee from related parties	65	–

19 Discontinued Operations

On 1 August 2023, the Board declared a special dividend that was satisfied by way of distribution in specie of JBM Healthcare Shares held by the Group to the equity shareholders of the Company. Details of the distribution in specie are disclosed in note 9(B).

Upon completion of the distribution in specie, the Group no longer engages in branded healthcare operation. Accordingly, these operations were classified as discontinued operations. The distribution in specie was completed on 24 August 2023.

The summarised financial information of JBM Healthcare presented below represents the amounts after the intra-group elimination.

19 Discontinued Operations (Continued)

(A) RESULTS OF DISCONTINUED OPERATIONS

		Discontinued operations	
	Note	For the period from 1 April 2023 to 24 August 2023 HK$'000	Six months ended 30 September 2022 HK$'000
Revenue	4	**242,521**	235,462
Cost of sales		**(116,603)**	(148,841)
Gross profit		**125,918**	86,621
Other net income	5	**5,713**	7,149
Selling and distribution expenses		**(48,009)**	(37,690)
Administrative and other operating expenses		**(15,315)**	(18,336)
Profit from operations		**68,307**	37,744
Finance costs	6(A)	**(3,260)**	(2,667)
Share of losses of associates		**(600)**	(516)
Share of losses of joint ventures		**(2)**	(519)
Profit before taxation	6	**64,445**	34,042
Income tax	7	**(12,053)**	(5,556)
Profit for the period from discontinued operations		**52,392**	28,486
Attributable to:			
Equity shareholders of the Company		**28,515**	14,869
Non-controlling interests		**23,877**	13,617
Profit for the period from discontinued operations		**52,392**	28,486

(B) CASH FLOWS FROM DISCONTINUED OPERATIONS

	Discontinued operations	
	For the period from 1 April 2023 to 24 August 2023 HK$'000	Six months ended 30 September 2022 HK$'000
Cash flows generated from operating activities	**59,358**	61,759
Cash flows used in investing activities	**(2,859)**	(3,945)
Cash flows used in financing activities	**(56,418)**	(32,182)
Net increase in cash and cash equivalents from discontinued operations	**81**	25,632

19 Discontinued Operations (Continued)

(C) NET GAIN ON DISTRIBUTION IN SPECIE

Details of net assets of discontinued operations at date of distribution in specie are set out below:

	As at 24 August 2023 HK$'000
Net assets distributed	
Property, plant and equipment	133,412
Intangible assets	860,642
Interests in associates	13,512
Interests in joint ventures	3,614
Other non-current assets	13,554
Other financial assets	13,719
Deferred tax assets	3,546
Inventories	59,448
Trade and other receivables	191,742
Current tax recoverable	569
Cash and cash equivalents	152,154
Total assets	1,445,912
Trade and other payables and contract liabilities	131,065
Bank loans	130,000
Lease liabilities	4,285
Current tax payable	20,277
Deferred tax liabilities	100,258
Total liabilities	385,885
Book value of net assets	1,060,027
Non-controlling interest	(513,971)
Fair value of JBM Healthcare Shares retained	(10,063)
Book value of net assets distributed	535,993

The fair value of JBM Healthcare is with reference to the closing price and the number of issued shares of JBM Healthcare on 24 August 2023.

The distribution resulted in a non-cash gain of approximately HK$28,217,000, representing (i) the difference between the fair value of JBM Healthcare Shares distributed and the net assets distributed of JBM Healthcare and (ii) release of exchange reserve in relation to JBM Healthcare upon distribution in specie.

Analysis of net gain on distribution in specie:

	As at 24 August 2023 HK$'000
Fair value of JBM Healthcare Shares distributed	564,628
Less: Net assets distributed of JBM Healthcare	(535,993)
	28,635
Release of exchange reserve upon distribution in specie	(418)
Net gain on distribution in specie	28,217
Attributable to:	
Equity shareholder of the Company	28,217
Non-controlling interests	–
Net gain on distribution in specie	28,217

20 Contingent Liabilities

As of 30 September 2023, the Group did not have any significant contingent liabilities.

21 Non-Adjusting Events After the Reporting Period

No significant event has taken place subsequent to 30 September 2023 and up to the date of this interim report.

22 Comparative figures

Certain comparative figures have been adjusted to confirm to the disclosure requirement in respect of the discontinued operation set out in note 19. Accordingly, the comparative figures in the consolidated statement of profit or loss have been restated.

GLOSSARY

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

"2023 AGM"	the 2023 annual general meeting of the Company
"adjusted EBITDA"	adjusted earnings before interest, taxes, depreciation and amortisation
"Board"	the board of directors of the Company
"CG Code"	Corporate Governance Code as amended or supplemented from time to time contained in Appendix 14 to the Listing Rules
"China", "Mainland China" or "the PRC"	the People's Republic of China excluding, for the purpose of this interim report, Hong Kong, Macau and Taiwan
"Company", "our Company" or "the Company"	Jacobson Pharma Corporation Limited, an exempted company incorporated in the Cayman Islands with limited liability on 16 February 2016
"Controlling Shareholders"	Mr. Sum, Kingshill and Kingshill Development Group Inc
"COVID-19"	Coronavirus disease 2019
"Director(s)"	the director(s) of the Company
"FY2023 Interim"	the six months ended 30 September 2022
"FY2024"	the year ending 31 March 2024
"FY2024 Interim" or "Reporting Period"	the six months ended 30 September 2023
"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)
"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 (stock code: 2161)
"JBM Healthcare Group"	JBM Healthcare and its subsidiaries
"JBM Healthcare Share(s)"	ordinary share(s) in the share capital of JBM Healthcare with nominal value of HK$0.01 each
"Kingshill"	Kingshill Development Limited, a limited liability company incorporated under the laws of the British Virgin Islands on 8 July 1998, and one of our Controlling Shareholders
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time

"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	Main Board of the Stock Exchange
"Model Code"	Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Mr. Sum"	Mr. Sum Kwong Yip, Derek, our chairman, executive Director, chief executive officer and one of our Controlling Shareholders
"Private Sector"	refers to non-Public Sector
"Public Sector"	refers to public sector institutions and clinics in Hong Kong
"Queenshill"	Queenshill Development Limited, a limited liability company incorporated under the laws of the British Virgin Islands on 12 December 2012
"R&D"	research and development
"SAP"	System Analysis Program Development
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(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 and amended on 21 September 2023
"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*