Jacobson Pharma Corporation Limited
雅各臣科研製藥有限公司
(Incorporated under the laws of the Cayman Islands with limited liability)

Stock Code : 2633

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

FINANCIAL HIGHLIGHTS

- The revenue for the six months ended 30 September 2019 amounted to approximately HK$871.7 million, representing an increase of about 6.8% as compared to that of approximately HK$816.3 million for the corresponding period of 2018.
- Profit from operations for the Reporting Period amounted to approximately HK$187.7 million, representing an increase of about 18.3% as compared to that of approximately HK$158.6 million for the corresponding period of 2018.
- Profit attributable to the shareholders of the Company for the same period amounted to approximately HK$127.2 million, representing an increase of about 30.5% as compared to that of approximately HK$97.5 million for the corresponding period of 2018.
- The Board recommends a payment of an interim dividend for the six months ended 30 September 2019 of HK2.0 cents per ordinary share for the total amount of approximately HK$40.3 million (six months ended 30 September 2018: HK1.5 cents).

The Board of the Company is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 September 2019, together with the comparative figures for the corresponding period in 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 September 2019 HK$'000	2018 HK$'000
Revenue	*4*	**871,686**	816,260
Cost of sales		**(513,169)**	(497,566)
Gross profit		**358,517**	318,694
Other net income	*5*	**24,112**	5,480
Selling and distribution expenses		**(97,084)**	(83,233)
Administrative and other operating expenses		**(97,852)**	(82,297)
Profit from operations		**187,693**	158,644
Finance costs	*6(a)*	**(30,537)**	(33,252)
Share of profits less losses of associates		**2,925**	1,819
Profit before taxation	*6*	**160,081**	127,211
Income tax	*7*	**(28,202)**	(23,835)
Profit for the period		**131,879**	103,376
Other comprehensive income for the period			
Item that will not be reclassified to profit or loss, net of nil tax:			
Revaluation of financial assets at fair value through other comprehensive income		**(1,225)**	96,201
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		**(1,017)**	(4,096)
Other comprehensive income for the period		**(2,242)**	92,105
Total comprehensive income for the period		**129,637**	195,481

	Note	Six months ended 30 September **2019**	2018
		HK$'000	*HK$'000*
Profit attributable to:			
Shareholders of the Company		**127,218**	97,531
Non-controlling interests		**4,661**	5,845
Profit for the period		**131,879**	103,376
Total comprehensive income attributable to:			
Shareholders of the Company		**124,976**	189,636
Non-controlling interests		**4,661**	5,845
Total comprehensive income for the period		**129,637**	195,481
		HK cents	*HK cents*
Earnings per share			
Basic and diluted	*8*	**6.32**	5.28

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

Details of dividends payable to shareholders of the Company are set out in note 9.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019 – unaudited

(Expressed in Hong Kong dollars)

	Note	**As at 30 September 2019** *HK$'000*	As at 31 March 2019 *HK$'000*
Non-current assets			
Investment properties		**363,700**	356,800
Other property, plant and equipment		**1,147,707**	1,103,919
Intangible assets		**1,341,000**	1,073,487
Interest in associates		**24,300**	148,752
Interest in a joint venture		**8,892**	–
Other non-current assets		**98,728**	72,333
Other financial assets		**290,273**	255,320
Deferred tax assets		**5,611**	5,976
		3,280,211	3,016,587
Current assets			
Inventories		**375,713**	333,831
Trade and other receivables	*10*	**274,630**	277,291
Current tax recoverable		**719**	3,043
Other financial assets		**7,780**	–
Cash and cash equivalents		**718,206**	629,842
		1,377,048	1,244,007
Current liabilities			
Trade and other payables	*11*	**140,685**	116,932
Bank loans		**750,665**	458,399
Lease liabilities		**43,908**	184
Convertible notes	*12*	**–**	466,960
Current tax payable		**39,523**	11,896
		974,781	1,054,371
Net current assets		**402,267**	189,636
Total assets less current liabilities		**3,682,478**	3,206,223

	Note	**As at 30 September 2019** *HK$'000*	As at 31 March 2019 *HK$'000*
Non-current liabilities			
Banks loans		**727,456**	371,247
Lease liabilities		**36,063**	476
Deferred tax liabilities		**183,601**	147,362
		947,120	519,085
NET ASSETS		**2,735,358**	2,687,138
CAPITAL AND RESERVES			
Share capital	*13*	**20,079**	20,156
Reserves		**2,646,819**	2,627,012
Total equity attributable to shareholders of the Company		**2,666,898**	2,647,168
Non-controlling interests		**68,460**	39,970
TOTAL EQUITY		**2,735,358**	2,687,138

NOTES

1 CORPORATE INFORMATION

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

2 BASIS OF PREPARATION

The interim financial results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 September 2019 but are extracted from that interim financial report.

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

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 2019, except for the accounting policy changes that are expected to be reflected in the consolidated financial statements for the year ending 31 March 2020. Details of any changes in accounting policies are set out in note 3.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an its carrying amount as if HKFRS 16 had been applied since the commencement dates of the remaining lease, discounted at the Group's incremental borrowing rate at 1 April 2019. The lease liabilities were measured at present value of the remaining leases payment, discounted at the Group's incremental borrowing rate at 1 April 2019. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 April 2019 of 3.3% per annum.

At 1 April 2019, the Group has recognised right-of-use assets at HK$77,817,000 and lease liabilities of HK$79,223,000 in relation to leases previously classified as operating leases, adjusted by retained earnings of HK$1,406,000. Leasehold land of HK$45,446,000 was reclassified to right-of-use assets on 1 April 2019.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of “obligations under finance leases”, these amounts are included within “lease liabilities”, and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

(b) Segment reporting

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

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

– Proprietary Medicines: this segment develops, manufactures and distributes medicines. Currently the activities in this regard are primarily carried out in Hong Kong.

– Wholesale and Retail: this segment sells western and proprietary medicines in Hong Kong.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is “adjusted EBITDA” i.e. “adjusted earnings before interest, taxes, depreciation and amortisation”, where “interest” is regarded as including interest income and interest expenses and “depreciation and amortisation” is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA the Group’s earnings are further adjusted for share of profits less losses of associates 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.

(i) ***Segment revenue and results***

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

	Generic Drugs		Proprietary Medicines		Wholesale and Retail		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**626,867**	595,227	**130,340**	110,743	**114,479**	110,290	**871,686**	816,260
Inter-segment revenue	**907**	2,171	**2,663**	920	**–**	–	**3,570**	3,091
	627,774	597,398	**133,003**	111,663	**114,479**	110,290	**875,256**	819,351
Reportable segment profit (adjusted EBITDA)	**198,745**	164,700	**52,695**	43,031	**4,889**	4,344	**256,329**	212,075

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

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**875,256**	819,351
Elimination of inter-segment revenue	**(3,570)**	(3,091)
Consolidated revenue	**871,686**	816,260
Profit		
Reportable segment profit	**256,329**	212,075
Elimination of inter-segment profit	**(361)**	(559)
Reportable segment profit derived from Group's external customers	**255,968**	211,516
Interest income from bank deposits	**2,767**	1,265
Fair value gain on investment properties	**6,900**	4,374
Depreciation and amortisation	**(86,165)**	(58,511)
Finance costs	**(30,537)**	(33,252)
Share of profits less losses of associates	**2,925**	1,819
Gain on redemption of convertible notes	**8,223**	–
Consolidated profit before taxation	**160,081**	127,211

(iii) Geographic information

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

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Revenue from external customers		
Hong Kong (place of domicile)	**821,132**	769,429
Mainland China	**9,846**	19,578
Macau	**24,850**	11,961
Singapore	**5,845**	5,357
Others	**10,013**	9,935
	871,686	816,260

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

	As at 30 September 2019	As at 31 March 2019
	HK$'000	*HK$'000*
Specified non-current assets		
Hong Kong (place of domicile)	**2,889,868**	2,657,643
Mainland China	**42,258**	44,936
Macau	**68**	86
Taiwan	**6,129**	6,447
Cambodia	**46,004**	46,179
	2,984,327	2,755,291

(iv) Information about major customers

For the six months ended 30 September 2019, the Group's customer base includes one customer of the Generic Drugs segment with whom transactions have exceeded 10% of the Group's revenue. Revenue from sales of generic drugs to this customer, including sales to entities which are known to the Group to be under common control amounted to HK$229,693,000 (six months ended 30 September 2018: HK$200,100,000).

5 OTHER NET INCOME

	Six months ended 30 September 2019	
	2019	2018
	HK$'000	*HK$'000*
Commission income	**743**	555
Interest income from bank deposits	**2,767**	1,265
Net foreign exchange loss	**(535)**	(1,241)
Net loss on disposal of property, plant and equipment	**(44)**	(183)
Fair value gain on investment properties	**6,900**	4,374
Gain on redemption of convertible notes	**8,223**	–
Subcontracting income	**1,257**	–
Rental income	**2,944**	–
Others	**1,857**	710
	24,112	5,480

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
(a) Finance costs		
Interest on bank loans and other borrowings	**29,242**	33,229
Interest on lease liabilities	**1,295**	23
	30,537	33,252

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
(b) Other items		
Amortisation		
– leasehold land	**715**	725
– intangible assets	**14,578**	13,782
Depreciation	**70,872**	44,004
Write-down of inventories	**900**	1,201
Equity settled share-based transactions	**1,509**	3,812

7 INCOME TAX

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Current tax	**27,651**	23,908
Deferred taxation	**551**	(73)
	28,202	23,835

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 2018: 16.5%) to the six months ended 30 September 2019. Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of HK$127,218,000 (six months ended 30 September 2018: HK$97,531,000) and the weighted average of 2,012,445,000 ordinary shares (six months ended 30 September 2018: 1,846,226,000 shares) in issue during the interim period, calculated as follows:

	Six months ended 30 September	
	2019	2018
	'000	*'000*
Shares of the Company issued at the beginning of the period	**2,015,625**	1,815,625
Effect of shares issued during the period	**–**	30,601
Weighted average number of shares held for Share Award Scheme	**(3,180)**	–
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme during the period	**2,012,445**	1,846,226

(b) Diluted earnings per share

Diluted earnings per share equals to basic earnings per share for the six months ended 30 September 2019 and 2018 because the potential ordinary shares outstanding were anti-dilutive.

9 DIVIDENDS

(a) Dividend payable to shareholders attributable to the interim period

	Six months ended 30 September 2019	2018
	2019 *HK$'000*	2018 *HK$'000*
Interim dividend declared and paid after the interim period of HK2.0 cents per share (six months ended 30 September 2018: HK1.5 cents per share)	**40,313**	30,234

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

(b) Dividend payable to shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 September	
	2019 *HK$'000*	2018 *HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK3.0 cents per share (six months ended 30 September 2018: HK2.9 cents per share)	**60,469**	58,453
Less: Dividend of shares held by Share Award Scheme at 30 September 2019	**(204)**	–
	60,265	58,453

10 TRADE AND OTHER RECEIVABLES

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

	As at 30 September 2019 *HK$'000*	As at 31 March 2019 *HK$'000*
Less than 1 month	**134,002**	141,841
1 to 6 months	**60,794**	66,096
Over 6 months	**5,093**	6,248
Trade receivables	**199,889**	214,185
Other receivables	**5,686**	2,526
Contingent consideration receivable*	**–**	1,084
Deposits and prepayments	**69,055**	59,496
	274,630	277,291

* Pursuant to the agreement in connection with the acquisition of 70% equity interest in Hong Ning Hong Limited in April 2017, the seller guaranteed to the Group that the 2018 audited net profit after tax ("Net Profit") and 2019 Net Profit shall each be no less than HK$8,000,000 ("Annual Guaranteed Profit"). In the event that any of the 2018 Net Profit and 2019 Net Profit is less than the Annual Guaranteed Profit, the seller shall pay the shortfall amount to the Group on a dollar to dollar basis and the maximum aggregate shortfall amount which may be paid by the seller shall be capped at HK$5,000,000. On 9 August 2019, the seller paid the shortfall amount of HK$1,084,000 to the Group.

11 TRADE AND OTHER PAYABLES

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

	As at 30 September 2019 ***HK$'000***	As at 31 March 2019 *HK$'000*
Less than 1 month	**28,441**	24,085
1 to 6 months	**23,475**	16,290
Over 6 months	**365**	83
Trade payables	**52,281**	40,458
Salary and bonus payables	**53,279**	38,533
Payables and accruals for additions of property, plant and equipment	**1,622**	2,638
Other payables and accruals	**28,421**	29,965
Contract liabilities	**5,082**	5,338
	140,685	116,932

12 CONVERTIBLE NOTES

The 3-year convertible notes of HK$500,000,000 were issued on 3 October 2017 and has a maturity date of 5 October 2020. Assuming full conversion of the convertible notes based on the initial conversion price of HK$2.50 per share, the convertible notes will be convertible into 200,000,000 ordinary shares. Interest is payable at the rate of 3.5% per annum on the principal amount of the convertible notes outstanding.

The Group has fully redeemed principal amounts of HK$500,000,000 of convertible notes during the six months ended 30 September 2019. There were no outstanding convertible notes as at 30 September 2019.

13 CAPITAL AND RESERVES

(a) Share capital

	Number of shares *'000*	Amount *HK$'000*
Issued ordinary shares of HK$0.01 each:		
At 1 April 2018	1,815,625	18,156
Issue of ordinary shares	200,000	2,000
At 31 March 2019 and 1 April 2019	**2,015,625**	**20,156**
Shares held for Share Award Scheme (note 13(b))	**(7,700)**	**(77)**
At 30 September 2019	**2,007,925**	**20,079**

On 14 August 2018, the Company entered into a subscription agreement with Yunnan Baiyao Holdings Company Limited# (雲南白藥控股有限公司) ("Yunnan Baiyao") in respect of 200,000,000 new ordinary shares at the subscription price of HK$2.06 per share. The Company completed the issuance of the ordinary shares to Yunnan Baiyao on 3 September 2018. Net proceeds from such issue amounted to HK$411,658,000 (after the deduction of share issuance costs of HK$342,000) of which HK$2,000,000 and HK$409,658,000 were recorded in share capital and share premium respectively.

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

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

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

English name for identification only

During the six months ended 30 September 2019, the Share Award Scheme acquired 7,700,000 shares (six months ended 30 September 2018: Nil) through purchases on the open market. The total amount paid to acquire the shares during the six months ended 30 September 2019 was HK$11,602,000 (six months ended 30 September 2018: HK$Nil).

There was no share award granted under the Share Award Scheme during the six months ended 30 September 2019.

(ii) Share Option Scheme

On 30 June 2017, 36,000,000 share options were granted at a consideration of HK$1 to certain employees, including certain executive directors of the Company and certain directors of subsidiaries of the Company, under the Company's employee share option scheme. Each option gives the holder the right to subscribe for one ordinary share of the Company. These share options are valid and exercisable within a validity period from 1 October 2018 and 2019 up to 30 September 2018, 2019 and 2020 respectively in two tranches. The exercise price is HK$2.06 per share, being the closing price of the shares of the Company as stated in The Stock Exchange of Hong Kong Limited's daily quotations sheets on the date of grant. 1,500,000 options were lapsed during the six months ended 30 September 2019 (six months ended 30 September 2018: 500,000).

On 18 October 2017, 1,000,000 share options granted at a consideration of HK$1 to one employee, under the Company's employee share option scheme. Each option gives the holder the right to subscribe for one ordinary share of the Company. These share options are valid for three years commencing from 18 October 2017 up to 17 October 2020 and are exercisable subject to the vesting date on 1 April 2018. The exercise price is HK$2.13 per share, being the average of the closing prices of the shares of the Company as stated in The Stock Exchange of Hong Kong Limited's daily quotations sheets for the five business days immediately preceding the date of grant. No options were exercised during the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

Amidst the stresses to the economy inflicted by the continuing civil unrest in Hong Kong, the Group maintained a moderate growth of 6.8% posting a total revenue of HK$871.7 million during the first six months period ended 30 September 2019. Profit attributable to shareholders, on the other hand, delivered an encouraging growth of 30.5% mainly bolstered by consistent sales performance along with operating leverages and financial savings derived from effective cost control measures.

Backed by its strong market position, the Group's Generic Drugs business has sustained a steady growth momentum with continuing efforts in enhancing product offerings to meet demands from both the Public and Private Sectors. Proprietary Medicines segment of the Group also registered a modest growth in light of the relatively hard-hit local retail sector. Despite the bleak statistics on consumer consumption and tourist visits, Po Chai Pills and Ho Chai Kung brand products have both delivered a decent growth in Hong Kong and Macau buttressed by our persistent and effective brand management and marketing efforts.

With solid progress on the business development front, the Group has been successfully forging strategic collaborations with multinational partners covering in-licensing and technology transfer of high-end generic drugs and representation of reputable brand products in the Greater China and Asia by leveraging its regional commercial platform to tap growth potential of the burgeoning healthcare markets. As an integral part of the growth strategy, the regional expansion plan of the Group has gained traction with established operations in several strategically selected locations.

Sustained Growth Momentum for Generics

The performance of the Generic Drugs business of the Group maintained a steady growth though inevitably hampered by the economic distress from the unrest in Hong Kong. During the Reporting Period, the Group registered a positive growth of 5.3% for its Generic Drugs business achieving a sales revenue of HK$626.9 million.

Overall growth generated from the Generic Drugs segment was encouraging mainly attributable to expanded product offerings of its broad and targeted portfolio, along with the exacerbating healthcare demands resulted from aging population and prevalence of chronic diseases despite the Private Sector had been impeded by the wide-spread and continuing protests in numerous major retail and tourist areas of the city in the past months.

Strong Performance of Therapeutic Class Products

Sales growth of products in therapeutic classes such as cardiovascular and central nervous system treatments have been strong. Beta-blockers and calcium antagonists classes within the Group's cardiovascular product series recorded a growth of 25.0% and 21.1% respectively during the Reporting Period. Referring to the Group's central nervous system product series, the antipsychotics class recorded a growth of 15.1% with the award of a new tender for Risperidone Tablets, whilst the hypnotics class recorded a 9.4% growth. Besides, oral anti-diabetics class also delivered a robust growth of 32.2% owing to up-surged market demand.

Newly secured tenders by the Group included Diltiazem Controlled Released Tablet and Thymol Gargle, which were awarded to the Group for the first time.

For the Private Sector, sales of the Group's angiotensin II antagonists products, including the newly launched product Valsartan Tablets, recorded a staggering growth of 330.3%, alongside the growth of 14.4% and 13.8% respectively in beta-blockers and calcium antagonists classes within the Group's cardiovascular product series. The nonsteroidal anti-inflammatory drugs class also posted a notable growth of 27.6% due to the launch of new products including Celecoxib Capsules and Etoricoxib Tablets.

Serving Evolving Healthcare Demand under Government Programs

Around 30,000 public hospital patients suffering from hypertension, diabetes mellitus or hyperlipidemia have been receiving primary care services provided by private practices in 18 districts of Hong Kong since the launch of the General Outpatient Clinic Public-Private Partnership Programme (GOPC PPP) in 2014 in an attempt by the government to alleviate the strains in public healthcare system. New Glaucoma Public-Private Partnership Programme (Glaucoma PPP) was introduced in 2019 aiming to provide choice to patients for receiving private specialist services in the community. New clinical PPP initiatives are being explored by public hospitals to meet the emerging healthcare needs. As the leading provider of generic drugs and the active manufacturer in Hong Kong for a number of specialised dosage forms including sterile eye drops and suppositories, the Group is well-positioned to exploit the emerging demand from both the Public and Private Sectors.

New Products Introduction

A number of new products including Diltiazem Controlled Release Tablet, Dihydrocodeine Tablet and Propranolol Oral Solution were launched during the Reporting Period as our continuing effort in introducing quality generics to meet medical and patient needs. Also, the Group has secured registration approvals for a number of new products such as Desloratadine of the antihistamines class and Metronidazole Gel of the dermatological class. Furthermore, a host of pipeline products mostly in the central nervous system category are undergoing product registration at this stage.

Enhanced Capacity and Efficiency in Production

All of the Group's manufacturing units operated effectively during the Reporting Period with the manufacturing output of solid products reaching a record high at 1,598 million tablets and capsules, representing a 13.5% increase over the same period of last year. Overall manufacturing capacity and efficiency of the Group has been further enhanced with the on-going integration and streamlining program, along with effective raw material procurement and production management.

The liquid and cream products output has remained stable during the Reporting Period at approximately 162,000 kg and 1.29 million liters in total respectively.

One of the Group's PIC/S GMP accredited manufacturing subsidiaries, Jean-Marie Pharmacal Co. Ltd., has been spearheading the formulation refinement and production of Weisen-U (胃仙-U), a well-recognised gastrointestinal drug with its unique dual layer formulation demanding specialised production know-how and capability, since January 2019.

In a nutshell, the effective integration of our new plants and acquired business units for enhanced production capabilities and capacity has further strengthened the Group's position as a leading generics manufacturer in Hong Kong to cater for business growth and the increasing market demand.

Business Development to Tap New Market Potentials

Enhancing Portfolio for High Value-added Offerings

Aiming to supplement our R&D pipeline and broaden our portfolio of specialty drugs to tap new potentials of the market, the Group has been actively forging collaborations with multinational partners covering in-licensing and technology transfer of high-end generic drugs, biosimilars and medical devices, and the representation of finished brand products in the Asia Pacific region by leveraging on its regional commercial platform.

During the Reporting Period, the Group has signed exclusive in-license agreements for a total of 19 specialised drugs covering the cardiovascular, central nervous system, infectious diseases, oncology, gastrointestinal, ophthalmology and other therapeutic classes, including a medical device for RSV (Respiratory Syncytial Virus) & Influenza rapid diagnostics test kit, with reputable manufacturers in Greece, Spain, South Korea and Taiwan. Among them, 12 items are eligible for tender bidding in the coming years.

In particular, the RSV (Respiratory Syncytial Virus) & Influenza rapid diagnostics test kit can serve as an important handy diagnostic tool for the communicable disease, especially in ASEAN countries with less developed medical resource support. The rapid test kit allows clinicians to promptly start antiviral treatment in high-risk patients and formulate effective infection control measures by enabling them to make informed decisions on diagnostic investigations, reducing unnecessary chest radiography and blood test in ambulatory care settings.

Tapping High Growth Medical and Consumer Nutrition Markets

Targeting the functional food and Food for Special Medical Purpose (FSMP) markets of high growth potential, the Group has had a head start for the launch of two medical nutrition products in Hong Kong, namely Aterinorm from Difass in Italy and Gynositol from Indigo in France. Arterinorm is a food supplement containing a complex composition of natural substances that are beneficial for the physiological control of cholesterol plasma level with efficacy well-documented in several published clinical trials on over 1,700 patients. In Hong Kong, approximately 2,900,000 people are estimated to have a high cholesterol level in a recent study. Gynositol, another clinically-proven food supplement, contains Myo-inositol and Folic Acid which can act at the ovary level for improving oocyte quality and fertility, especially among PCOS (polycystic ovary syndrome) patients.

In the consumer nutrition arena, the Group has entered into an in-license agreement with Smartfish from Norway in a strategic collaboration to launch its clinically-tested health and sports nutrition drinks in Asia. Developed under its patented emulsion technology, Smartfish emulsion is differentiated from standard fish oil supplements through the potentiating anti-inflammatory effects of its high Omega-3 fatty acids concentration in synergy with other nutrients that delivers various health benefits, along with its superior taste. SMARTFISH REFLECT is specially designed to improve cognitive function, immune strength and muscle performance. It has been launched in Hong Kong and will be introduced to Taiwan and China in 2020.

The SMARTFISH RECHARGE series, which addresses the large and growing sports nutrition market, is designed to promote speedy and effective recovery after eccentric exercise as well as improve muscle performance. Smartfish is the official supplier of sports nutrition drinks for British Premier League Tottenham Hotspur Football Club and the products are currently used by top athletes across the professional and amateur spheres. SMARTFISH RECHARGE is targeted for launch in Hong Kong, Taiwan and China in 2020.

Building Market Leadership for Atropine Eye Drops in Myopia Control

The Group is the exclusive distributor for Atropine 0.01%, 0.05% and 0.125% eye drops manufactured by Aseptic Innovative Medicine Co., Ltd, for regional markets of Hong Kong, Singapore, Malaysia and Guangdong Province of China. Low concentration formulations of atropine eye drops have proved to be effective in slowing down the progression of myopia for young-aged children by recent double-blind controlled clinical trials. The market leadership of the products built by our business development team has well-positioned us to cater for the growing demand across the markets arising from the increased awareness of the myopia control benefits of this specialised formulation. Myopia is a public health issue prevalent in Hong Kong and many other Asian countries, which is associated with some long-term health complications and has become a major public health concern.

Brand Resilience and Growth Momentum of Proprietary Medicines Brands

In spite of the turmoil to the local economy and retail industry caused by the protests in Hong Kong that have shown no sign of abatement, sales performance of the Group's Proprietary Medicines business maintained a modest growth during the Reporting Period. Together with the incorporation of our newly acquired proprietary Chinese medicines business, the Group's Proprietary Medicines segment posted a growth of 17.7% for a total revenue at HK$130.3 million.

Po Chai Pills, the leading Chinese gastrointestinal medicine brand in Hong Kong with strong presence in overseas markets, delivered a decent growth of 11.0% in Hong Kong and Macau markets in terms of sales revenue during the Reporting Period with sustained growth momentum buttressed by our persistent brand building, marketing and promotion efforts.

Consistently riding on the creative campaign theme of "Diarrhea, Vomiting, Bloating, Stomach Pain and Indigestion" (屙，嘔，脹，痛，滯) featured by famous DJ and celebrity Jim Yan (少爺占), the advertising strategy for Po Chai Pills has been enhanced to target mainland Chinese visitors with media exposure reaching out to cross-border billboards, SMS sales message and Xiaohongshu (小紅書), a leading lifestyle online community platform in China, to strategically build effective brand awareness prior to their arrival in Hong Kong.

Also demonstrating a strong brand resilience is Ho Chai Kung, the widely recognised heritage brand in the analgesics category, which delivered a notable growth of 27.3% in Hong Kong and Macau versus the same period of last year. Riding also on its new creative campaign featured by popular TV artist Louis Yuen (阮兆祥) for its speedy pain relief power, marketing activities of Ho Chai Kung have been focused on enhancing brand visibility and awareness through outdoor, transit and in-store advertising, along with connecting target and potential consumers through various social media platforms and event sponsorship.

Ho Chai Kung Hou Cho San (何濟公猴棗散), a new product of Ho Chai Kung for treatment of symptoms such as phlegm, cough, colds, pediatric fever, vomiting, and restless sleep among children, has been recently launched in Hong Kong and its distribution will be extended to Macau and selected key online sales platform to maximise its market penetration.

Shiling Oil, a medicated oil brand of the Group, has been delivering a strong growth momentum in overseas markets presenting a 28.8% increase during the Reporting Period. Enhanced marketing efforts and resources have been deployed for building the brand and business of Shiling Oil. Under its line extension strategy, a newly developed product, Shiling Inhaler, will be launched early next year.

To capitalise on the reach and penetration of major cross-border online shopping platforms in China, we have been exploring options and opportunities for marketing and selling the Group's proprietary brand products with this newly introduced e-commerce model. Po Chai Pills, for example, has been successfully listed in the two cross-border e-commerce online platforms in China, namely JD Worldwide (京東全球購) and Tian Mao International (天貓國際), where Chinese consumers can make purchase on overseas products directly online with cross-border to-the-door delivery service. This cross-border online sales channel presents a major market potential for our proprietary brand products to tap into.

R&D Pipeline on Track

We continued to make good progress with our product pipeline in the Reporting Period. A total of 4 products, including three strengths of Atomoxetine Capsules and Metronidazole Gel were successfully registered during the Reporting Period which are ready for launch and supply in Hong Kong. Eight other new products mostly in the central nervous system category have completed the development process and have been submitted to Department of Health for approval.

As of 30 September 2019, there are 103 products in our pipeline, 48 items have been approved for registration, 8 of them have been submitted for registration, 27 items have finished the development stage and are under stability study, plus 20 items are currently under development. Within the Reported Period, 7 new items have been added to the pipeline.

Collaborative Projects for Innovative Technologies in Progress

Technology Transfer and Commercialisation of an Innovative Non-invasive Technology in Prostate Cancer Screening

Pursuant to the finalisation of intellectual property transfer and licensing agreement with the target company for the collaborative project, task plan for the establishment of accreditation facilities, multi-center clinical trials, regulatory registration and product commercialisation in Hong Kong and other major markets has been carried out according to the designated time frame.

The multi-center trials covering Japan, Korea, United Kingdom, France, China and Hong Kong are being undertaken at different stages with a substantial amount of test samples progressively received from the trial centers for the laboratory test method and home-based test kit application studies. The manufacturing facilities for the newly designed home-based diagnostic kit will be ready for accreditation by end of 2019. This innovative home-based screening device for Prostate Cancer will be targeted for the market roll-out with commercial launch planned for Hong Kong and Macau in 12-18 months' time.

This technology can provide a fast and convenient option to verify the results of the "gold standard" test on prostate cancer screening, i.e. blood prostate-specific antigen (PSA) level, with the benefits of better patient experiences and minimisation of the high rate of falsely positive PSA result, thus the unnecessary prostate biopsy procedures. This innovative technology has garnered the accolade of Gold Medal at the 47th International Exhibition of Inventions of Geneva 2019.

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

Funded under the Innovation and Technology Fund (ITF) by the government, this new collaborative project with HKIB aims at studying the technology on the usage of Confocal Raman Microscope on specified manufacturing processes for providing the capability to precisely control and manage the manufacturing process in making sure that the complicated formulation, ingredient distribution, and specified in-vivo efficacy can be achieved. Kicked started in the first quarter of 2019, this two-year project has now completed the stage of installation and qualification of the advanced and sophisticated Raman Microscope in the laboratory setting.

Collaboration with Nano & Advanced Materials Institute Limited (NAMI) on Alzheimer's Disease Early Detection

The US patent has been granted for the innovative Nano-compound which is applied for the detection of Beta Amyloid protein inside the brain for diagnosis of Alzheimer's diseases.

The product successfully commercialised under this nanotechnology for preclinical early Alzheimer disease detection was launched in August 2019, which has since then been applied by a university in Hong Kong for an Alzheimer's disease related research.

Promotion plans targeting at local and overseas research institutes will be drawn up for the new Nano-compound which is designed for use by research laboratories not equipped with MRI facility for providing a more efficient, cost saving and versatile animal test method in drug research and development for Alzheimer's disease, with greater sensitivity and resolution for the Beta Amyloid protein detection when compared with other available tests in the market.

Other Strategic Investment

The Group has forged an avenue for a commercial entry into the biosimilar sector in a strategic collaboration with Shanghai Henlius Biotech, Inc. ("Henlius") which holds a leading position in the research and development of biosimilar products and was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited in September 2019 (Stock code: 2696). The Group made an investment of USD15.0 million on Henlius in December 2017 and the carrying value of it under Other Financial Assets of the Group has been increased to HK$212.7 million as at 30 September 2019. Under the collaboration, the Group has an exclusive right to develop, use, sell, offer for sale, import, export and commercialise one of Henlius' products, namely Trastuzumab which is for use in metastatic breast cancer. The product is in its third (last) stage of clinical trial being conducted in Europe.

Acquisition and Redemption of Convertible Notes

Further Acquisition of 43% Equity Interest in Orizen Capital Limited

On 6 August 2019, the Group further acquired 43% equity interest of Orizen Capital Limited ("Orizen") and its subsidiary at a total consideration of HK$113.4 million, subsequent to the acquisition of 45% equity interest in Orizen on 19 July 2018. This acquisition represents a compelling opportunity to accelerate the Group's strategy in enhancing the portfolio of its proprietary Chinese medicine business and lays the foundation to create a leading branded Chinese medicine business which will be well-positioned to deliver strong sales, cash-flow and sustainable earnings growth for the Group. Synergies are expected to generate from the complementary basis of the acquired business to fuel the growth of the Group's proprietary Chinese medicine businesses.

Full Redemption of HK$500 million Convertible Notes

The convertible notes in an aggregate principal amount of HK$500 million which carried a coupon interest rate of 3.5% p.a. were issued by the Company on 3 October 2017 and were supposed to be due in October 2020 (the "Convertible Notes").

The Company has redeemed early the Convertible Notes in full during the Reporting Period via bank facilities at a lower interest rate and there were no outstanding Convertible Notes as at 30 September 2019. The early redemption of the Convertible Notes allowed saving of interest expenses as well as amortisation costs arising from the Convertible Notes.

Remuneration Policy

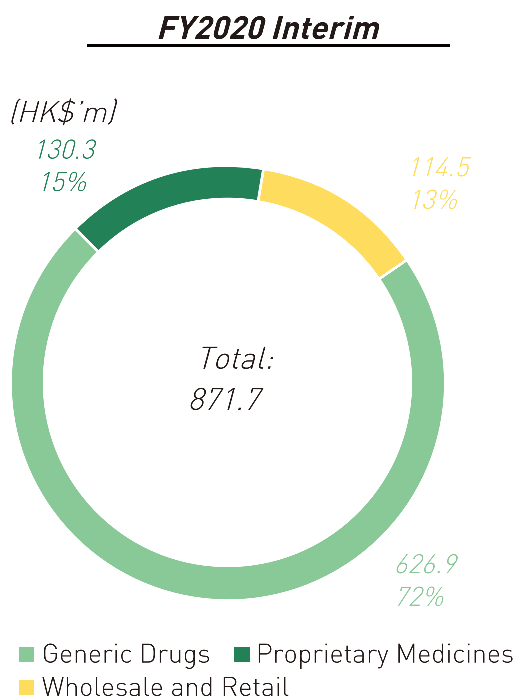
As of 30 September 2019, the Group had a total of 1,911 employees (1,803 employees as at 30 September 2018). For the Reporting Period, the total staff costs of the Group was HK$225.3 million, compared to HK$204.7 million for the six months ended 30 September 2018 due to growth and expansion under the strategic business developments of the Group. All 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, productivity-related incentives and work performance bonus. 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, promotion, staff development plan 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 2019, the Group has not experienced any strikes or any labour disputes with its employees which would have or likely to have a material impact on its business.

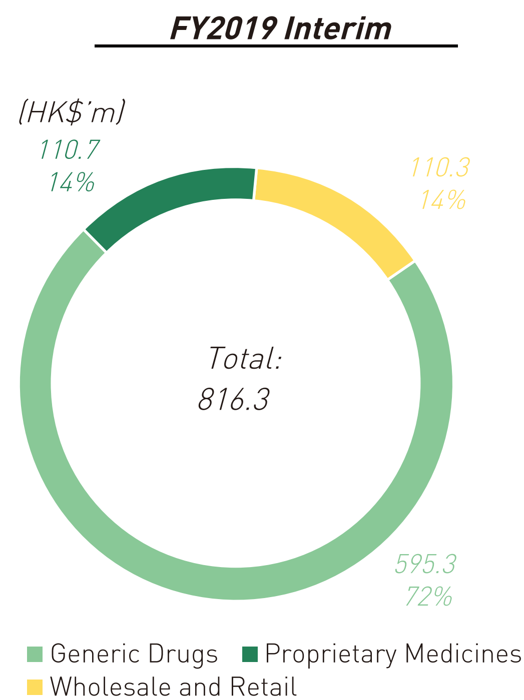
The Group places high values on recruiting, developing and retaining its employees. It maintains high recruitment standards, provides competitive compensation and benefit packages to attract and retain talents. The Group also emphasizes on training and developing employees. In addition to different skill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

FINANCIAL REVIEW

Revenue

Revenue by Operating Segments





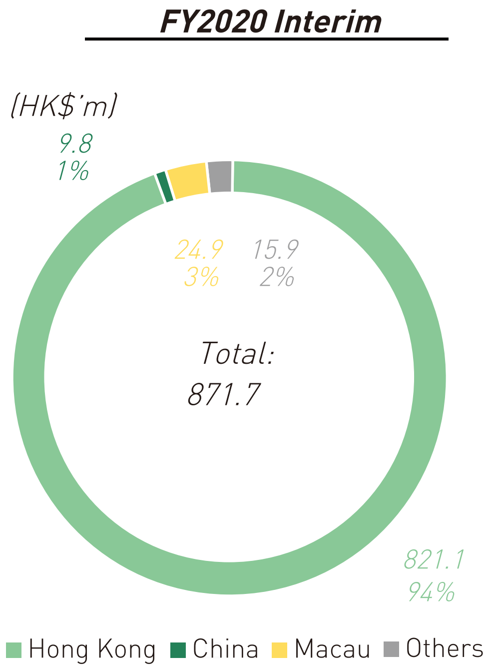
The increase in revenue of HK$55.4 million or 6.8% compared to FY2019 Interim was contributed by the increase in revenue of HK$31.6 million, HK$19.6 million and HK$4.2 million in Generic Drugs, Proprietary Medicines as well as Wholesale and Retail segments respectively. Revenue split of the three segments was at the proportion of 72%, 15% and 13% respectively.

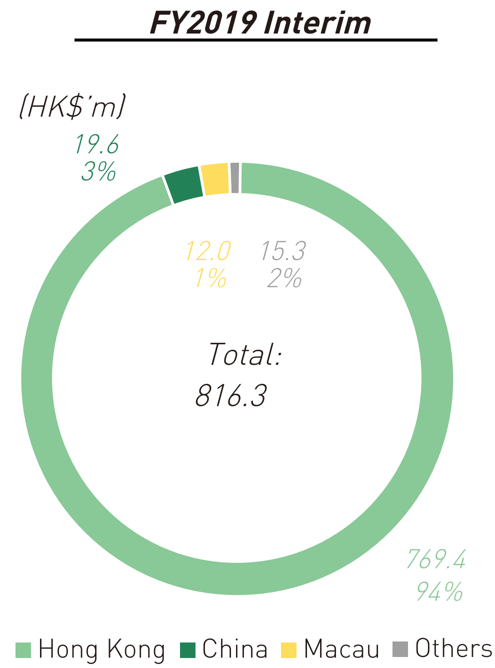
In the Generic Drugs segment, the increase in revenue reflected mainly a moderate business growth in the self-manufactured generic drugs augmented with revenue from existing and newly in-licensed products. The growth was mainly attributable to expanded product offerings of the Group's broad and targeted portfolio, along with the exacerbating healthcare demands resulted from aging population and prevalence of chronic diseases.

In the Proprietary Medicines segment, the increase in revenue was mainly resulted from the inclusion of newly acquired subsidiaries engaged in the proprietary Chinese medicine business coupled with a promising performance for Group's Proprietary Medicines brands such as Ho Chai Kung.

Despite the overall wholesale and retail market in Hong Kong has been facing a very stressful situation since the occurrence of social unrest in June 2019 during the Reporting Period, the Group's Wholesale and Retail segment has still recorded a growth of HK$4.2 million or 3.8% as compared to same period last year. The Company expects more challenges and uncertainties ahead and therefore will study and contemplate various means of strategic deployment in a sensible manner.

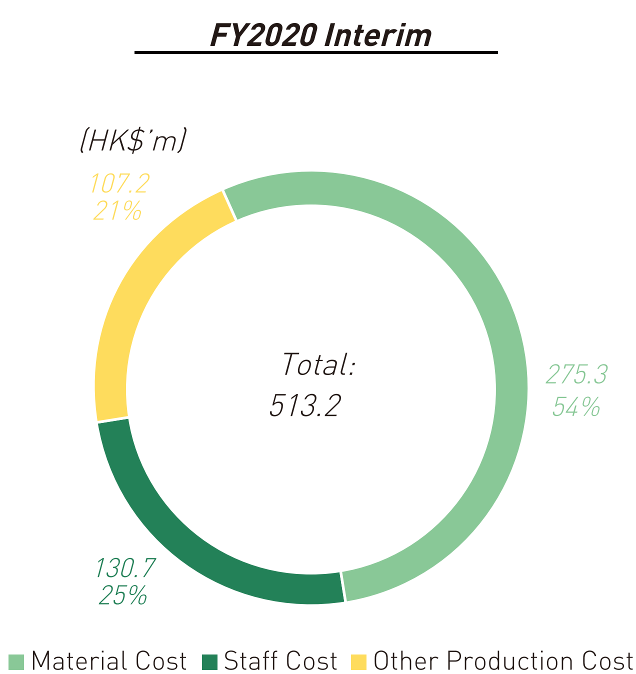
Revenue by Geographic Location

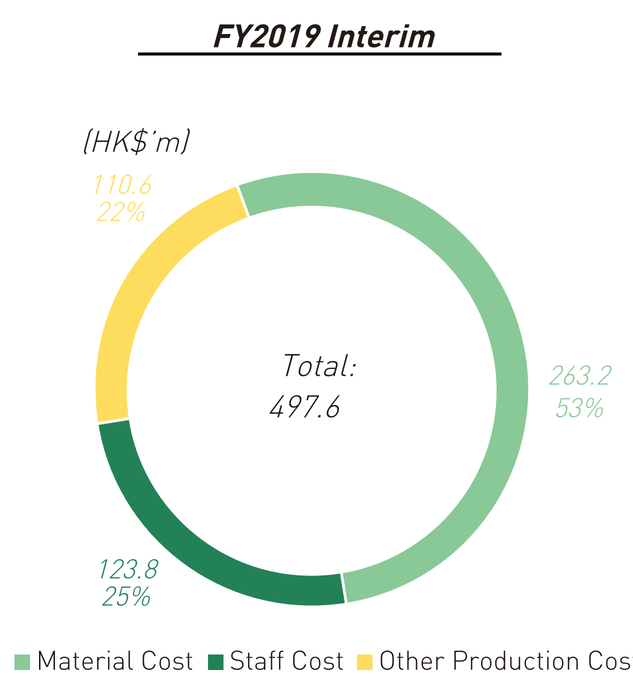




Hong Kong continued to be the major revenue stream representing 94% of the total revenue and contributed an increase in revenue of HK$51.7 million. The revenue in China decreased by HK$9.8 million or 50.0%, mainly due to the change of new distributors for Po Chai Pills and Flying Eagle Woodlok Oil with effect from January 2020 and therefore supply and sales to the current distributors have been stopped during the Reporting Period. Others represented other overseas markets and its slight decrease of HK$0.6 million was mainly due to the decrease in sales in North America, which has been offset partially by the increase in other Asian markets like Singapore and Taiwan.

Cost of Sales



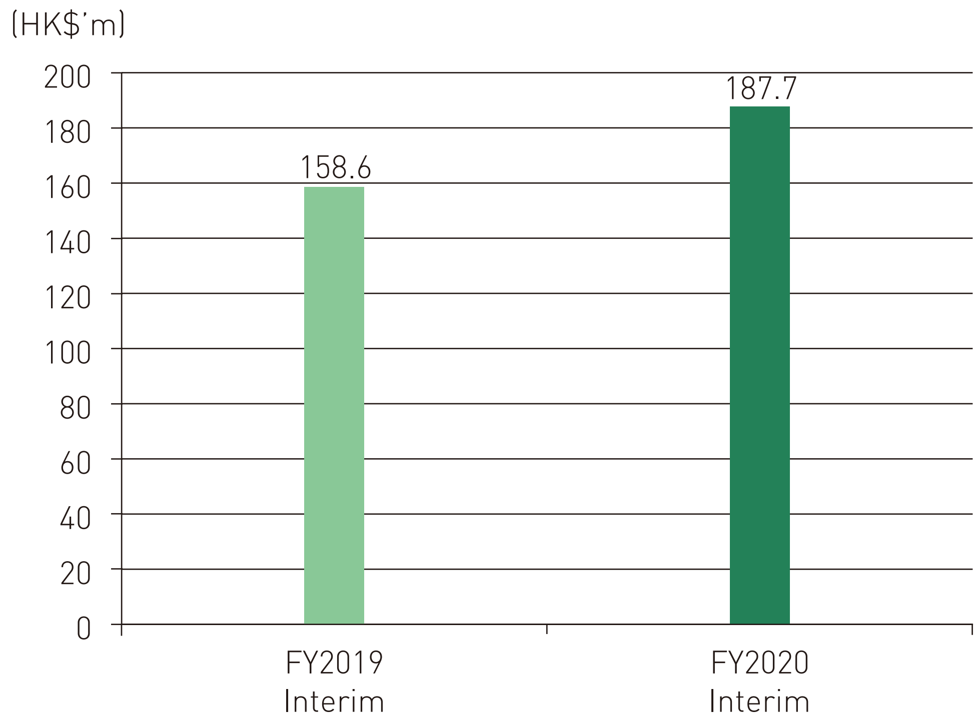


Material cost continued to be the major component which contributed to approximately 54% of the total cost of sales. The increase in cost of sales of HK$12.1 million or 4.6% primarily is in line with the overall sales growth of the Group.

The increase in staff cost of HK$6.9 million or by 5.6% primarily reflected the general increase in number of headcounts as a result of the Group's business expansion.

The slight decline in other production cost reflected the continuous decrease in production overheads as a consequence of the implementation of effective optimization program and cost control measures during the Reporting Period.

Profit from Operations



The profit from operations rose from HK$158.6 million to HK$187.7 million by HK$29.1 million or 18.3%. The enhancement in the profit from operations was principally contributed by the increase in gross profit of HK$39.8 million, and the fair value gain on the early redemption of the Convertible Notes and investment properties of HK$8.2 million and HK$6.9 million respectively, which was offset partially by the increase in selling and distribution expenses and administrative and other operating expenses by HK$13.9 million and HK$15.6 million respectively.

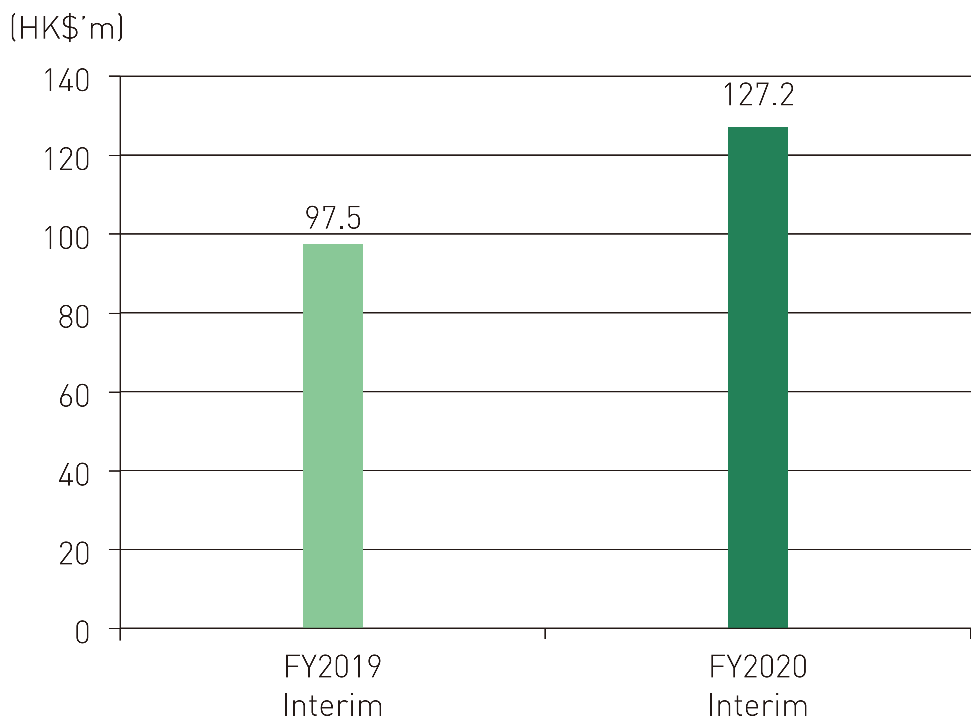
Finance Costs

The decrease in finance costs was mainly attributable to the saving of interest expenses as well as the reduction of the amortisation costs resulted from the early redemption of the Convertible Notes during the Reporting Period, which was offset partially by the additional finance costs reported as a result of the adoption of HKFRS 16 during the Reporting Period.

Income Tax

The increase in income tax principally reflected the higher profit before taxation generated. The decrease in effective tax rate was due to the decrease in the non-tax deductible finance costs arising from the Convertible Notes which were redeemed during the Reporting Period.

Profit Attributable to Shareholders



The increase in profit attributable to shareholders reflected the increase in profit from operation and the reduction of finance costs. The profit attributable to shareholders increased by HK$29.7 million or by 30.5% to HK$127.2 million.

Assets

Other Property, Plant and Equipment

The increase in other property, plant and equipment principally reflected the additions of HK$38.9 million and the impact of the adoption of HKFRS 16 amounting to HK$77.8 million, which was offset partially by the depreciation of HK$70.9 million during the Reporting Period.

Intangible Assets

The increase in intangible assets was principally attributable to the additions of HK$274.0 million mainly arising from the acquisitions of subsidiaries engaged in the proprietary Chinese medicine business, which was offset partially by the amortisation of HK$14.6 million during the Reporting Period.

Inventories

The increase in inventories was mainly attributable to the overall sales increase and the acquisition of subsidiaries engaged in the proprietary Chinese medicine business.

Cash and Cash Equivalents

Approximately 92.4% of cash and cash equivalents as at 30 September 2019 were denominated in Hong Kong dollars (as at 31 March 2019: 95.6%), while the remaining balance was denominated in United Stated dollars, Renminbi, Taiwan dollars and Singapore dollars.

Liabilities

Bank Loans

The increase in bank loans from HK$829.6 million as at 31 March 2019 to HK$1,478.1 million as at 30 September 2019 mainly represented the additions of bank loans which include HK$500 million for early redemption of the Convertible Notes during the Reporting Period.

As at 30 September 2019 and 31 March 2019, all the 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 us in connection with the initial public offering). The following table sets out the proposed application of the net proceeds and the actual usage up to 30 September 2019:

	Proposed application *HK$'000*	**Actual usage up to 30 September 2019** ***HK$'000***
Acquisitions – Expansion of businesses in Generic Drugs and Proprietary Medicines	139,108	**139,108**
Acquisitions – Enhancement of distribution network	104,331	**26,926**
Acquisitions – Intangible assets	69,554	**69,554**
Capital investments – Upgrading of manufacturing plants and facilities	113,197	**113,197**
Capital investments – Two specific automated production facilities	12,000	**12,000**
Expansion of bioequivalence clinical studies	94,331	**41,705**
Establishment of a new joint R&D centre with HKIB	10,000	**3,307**
Marketing and advertising	83,465	**70,848**
General working capital	69,554	**69,554**
	695,540	**546,199**

The net proceeds of HK$695,540,000 were used, or are proposed to be used, in accordance with the intentions previously disclosed by our Company.

Proceeds from issuance of the Convertible Notes

Net proceeds of HK$490,352,000 were raised from the issuance of the Convertible Notes (after the deduction of all related fees and expenses paid by us in connection with the convertible notes of HK$9,648,000). The following table sets out the proposed application of the net proceeds and the actual usage up to 30 September 2019.

	Proposed application *HK$'000*	**Actual usage up to 30 September 2019** ***HK$'000***
Funding potential mergers and acquisitions as well as forming strategic alliances in the Asia Pacific region *(Note)*	411,352	**370,681**
Supporting in-licensing and direct investment on technologically-oriented bio-pharmaceutical projects	79,000	**78,453**
	490,352	**449,134**

Note: The potential mergers and acquisitions are in relation to proprietary medicines business, pharmaceutical projects as well as forming strategic alliances in the Asia Pacific region.

The net proceeds of HK$490,352,000 were used, or are proposed to be used, according to the intentions previously disclosed by our Company's announcements dated 6 September 2017 and 3 October 2017. The Company expects that the unutilised net proceeds will be used up on or before 31 March 2020.

Proceeds from Issuance of New Shares

Net proceeds of HK$411,658,000 were raised from the issuance of shares to Yunnan Baiyao Holdings Company Limited (after the deduction of all related fees and expenses payable in connection with the issuance of shares of HK$342,000). The following table sets out the proposed application of the net proceeds and the actual usage up to 30 September 2019:

	Proposed application *HK$'000*	**Actual usage up to 30 September 2019** ***HK$'000***
Merger and acquisitions, strategic alliances and in-licensing of products	205,829	**26,780**
Acquisition, expansion and upgrading of operating facilities	164,663	**164,663**
General working capital	41,166	**41,166**
	411,658	**232,609**

The net proceeds of HK$411,658,000 were used, or are proposed to be used, according to the intentions previously disclosed by our Company's announcements dated 14 August 2018 and 3 September 2018.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

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

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

CHARGE ON GROUP ASSETS

The carrying value of assets pledged against bank loans decreased slightly from HK$871.6 million as at 31 March 2019 to HK$864.0 million as at 30 September 2019.

NET GEARING RATIO

The net gearing ratio of the Group (bank loans and the Convertible Notes less cash and cash equivalents, divided by total equity multiplied by 100%) increased from 24.8% as of 31 March 2019 to 27.8% as of 30 September 2019. The increase in net gearing ratio was attributable to the additions of bank loans in the Reporting Period.

FINANCIAL RISK ANALYSIS

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

CONTINGENT LIABILITIES

As of 30 September 2019, the Group did not have any significant contingent liabilities.

NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

A joint venture, which is 50% owned by the Group, has entered a sale and purchase agreement with an independent third party to acquire a company which owns certain production facilities, for both generic drugs and proprietary Chinese medicines, as well as relevant product licenses in Hong Kong at an investment sum of approximately HK$89,000,000 during the Reporting Period and the acquisition has been completed on 9 October 2019.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

CORPORATE GOVERNANCE HIGHLIGHTS

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

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDIT COMMITTEE

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

REVIEW OF INTERIM RESULTS

The interim results for the six months ended 30 September 2019 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 unmodified review report is included in the interim report to be sent to shareholders of the Company.

The Audit Committee, together with management of the Company, has also reviewed the interim results for the six months ended 30 September 2019.

INTERIM DIVIDEND

The Board recommends a payment of an interim dividend per ordinary share for the six months ended 30 September 2019 of HK2.0 cents for the total amount of approximately HK$40.3 million (six months ended 30 September 2018: HK1.5 cents). The interim dividend will be paid on 23 December 2019 (Monday) to shareholders whose names appear on the register of members of the Company on 11 December 2019 (Wednesday), the record date. The details of interim dividend of the Group are set out in note 9 of the unaudited interim financial report.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of shareholders of the Company to receive the interim dividend, the register of members of the Company will be closed from 10 December 2019 (Tuesday) to 11 December 2019 (Wednesday), both days inclusive, during which period no transfer of shares of the Company will be registered. All transfer documents, accompanied by the relevant share certificate, shall be lodged with the Company's Hong Kong Branch Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 9 December 2019 (Monday).

PUBLICATION OF THIS INTERIM RESULTS ANNOUNCEMENT AND THE 2019 INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.jacobsonpharma.com). The 2019 Interim Report containing all the information required by the Listing Rules will be published on the respective websites of the Stock Exchange and the Company and will be dispatched to the shareholders of the Company in due course.

By order of the Board
Jacobson Pharma Corporation Limited
YIM Chun Leung
Executive Director and Company Secretary

Hong Kong, 26 November 2019

As at the date of this announcement, the Board comprises Mr. Sum Kwong Yip, Derek (also as Chairman and Chief Executive Officer), Mr. Yim Chun Leung (also as Company Secretary) and Ms. Pun Yue Wai as executive Directors, Professor Lam Sing Kwong, Simon as non-executive Director, and Dr. Lam Kwing Tong, Alan, Mr. Young Chun Man, Kenneth and Professor Wong Chi Kei, Ian as independent non-executive Directors.

GLOSSARY

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

"2019 Interim Report"	the interim report of the Company for the six months ended 30 September 2019
"adjusted EBITDA"	earnings before interest, taxes, depreciation and amortisation, where "interest" is regarded as including interest income and interest expenses and "depreciation and amortisation" is regarded as including impairment losses on non-current assets, further adjusted for non-recurring items not attributable to the operations of individual segments
"adjusted EBITDA margin"	adjusted EBITDA divided by revenue and multiplied by 100%
"ASEAN"	The Association of Southeast Asian Nations
"Board"	Board of Directors
"CG Code"	Corporate Governance Code as amended from time to time contained in Appendix 14 to the Listing Rules
"China" or "Mainland China" or "the PRC"	the People's Republic of China excluding, for the purpose of this interim results announcement, Hong Kong, Macau Special Administrative Region and Taiwan
"Company" or "our Company" or "the Company"	Jacobson Pharma Corporation Limited, an exempted company incorporated in the Cayman Islands with limited liability on 16 February 2016
"Director(s)"	the director(s) of the Company
"FY2019 Interim"	the six months ended 30 September 2018
"FY2020"	the year ending 31 March 2020
"FY2020 Interim" or "Reporting Period"	the six months ended 30 September 2019
"GMP"	Good Manufacturing Practice, a set of detailed guidelines on practices governing the production of pharmaceutical products designed to protect consumers by minimising production errors and the possibility of contamination
"Group"	the Company and its subsidiaries

“HK$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKIB”	Hong Kong Institute of Biotechnology
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Jacobson”, “the Group”, “our Group”, “we”, “us”, or “our”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Main Board”	Main Board of the Stock Exchange
“Model Code”	Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Mr. Sum”	Mr. Sum Kwong Yip, Derek, our chairman, executive Director, chief executive officer and one of our Controlling Shareholders
“NAMI”	Nano & Advanced Materials Institute Limited
“net debts”	bank loans less cash and cash equivalents
“net gearing ratio”	net debts divided by total equity multiplied by 100%
“PIC/S”	two international instruments, the Pharmaceutical Inspection Convention and the Pharmaceutical Inspection Co-operation Scheme, which seek to promote constructive co-operation in the field of GMP between the participating authorities in different geographic markets
“PIC/S GMP”	Good Manufacturing Practice in accordance with the PIC/S GMP Guide issued by PIC/S
“Private Sector”	refers to non-Public Sector
“Prospectus”	the prospectus issued by the Company dated 8 September 2016
“Public Sector”	refers to all public institutions and a number of public institutions and clinics in Hong Kong
“R&D”	research and development

"Share(s)"	ordinary share(s) in the capital of the Company with nominal value of HK$0.01 each
"Share Award Scheme"	the share award scheme adopted by our Company on 16 October 2018, the principal terms of which are summarised in the announcement of the Company dated 16 October 2018
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 30 August 2016, the principal terms of which are summarised in "Statutory and General Information – D. Other Information – 1. Share Option Scheme" in Appendix V to the Prospectus
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited