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Jacobson Pharma Corporation Limited

雅各臣科研製藥有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2633

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

FINANCIAL HIGHLIGHTS

- The revenue for the six months ended 30 September 2021 amounted to approximately HK\$750.4 million, representing an increase of about 7.9% as compared to that of approximately HK\$695.4 million for the corresponding period of 2020.
- Profit from operations for the same period amounted to approximately HK\$116.9 million, representing an increase of about 28.5% as compared to the adjusted profit from operations (excluding the one-off Employment Support Scheme subsidy from the Hong Kong Government) for the corresponding period of 2020 of HK\$91.0 million.
- Profit for the same period amounted to approximately HK\$82.9 million, representing an increase of about 46.2% as compared to the adjusted profit (excluding the one-off Employment Support Scheme subsidy from the Hong Kong Government) for the corresponding period of 2020 of HK\$56.7 million.
- The Board recommends payment of an interim dividend for the six months ended 30 September 2021 of HK1.2 cents per ordinary share for the total amount of approximately HK\$23.2 million (six months ended 30 September 2020: HK0.8 cent per ordinary share).

The Board is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 September 2021, together with the comparative figures for the corresponding period in 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 September	
	<i>Note</i>	2021	2020
		HK\$'000	HK\$'000
Continuing operations			
Revenue	4	750,413	695,425
Cost of sales		<u>(477,571)</u>	<u>(429,168)</u>
Gross profit		272,842	266,257
Other net income	5	26,598	71,047
Selling and distribution expenses		(88,591)	(91,730)
Administrative and other operating expenses		<u>(93,978)</u>	<u>(98,749)</u>
Profit from operations		116,871	146,825
Finance costs	6(A)	(12,865)	(15,700)
Share of losses of associates		(1,815)	(1,547)
Share of losses of joint ventures		<u>(285)</u>	<u>(1,765)</u>
Profit before taxation	6	101,906	127,813
Income tax	7	<u>(19,047)</u>	<u>(15,363)</u>
Profit for the period from continuing operations		82,859	112,450
Discontinued operations			
Profit for the period from discontinued operations		<u>–</u>	<u>3</u>
Profit for the period		<u>82,859</u>	<u>112,453</u>

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
Other comprehensive income for the period		
<i>Item that will not be reclassified to profit or loss, net of nil tax:</i>		
Revaluation of financial assets at fair value through other comprehensive income	(7,334)	23,252
<i>Item that may be reclassified to profit or loss, net of nil tax:</i>		
Exchange differences on translation of financial statements of operations outside Hong Kong	(51)	196
Other comprehensive income for the period	<u>(7,385)</u>	<u>23,448</u>
Total comprehensive income for the period	<u>75,474</u>	<u>135,901</u>
Profit attributable to:		
Equity shareholders of the Company	80,039	102,513
Non-controlling interests	2,820	9,940
Total profit for the period	<u>82,859</u>	<u>112,453</u>
Profit attributable to equity shareholders of the Company arises from:		
– Continuing operations	80,039	102,510
– Discontinued operations	–	3
	<u>80,039</u>	<u>102,513</u>
Total comprehensive income attributable to:		
Equity shareholders of the Company	72,654	125,961
Non-controlling interests	2,820	9,940
Total comprehensive income for the period	<u>75,474</u>	<u>135,901</u>

	Six months ended 30 September	
	2021	2020
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total comprehensive income attributable to equity shareholders of the Company arises from:		
– Continuing operations	72,654	125,958
– Discontinued operations	<u>–</u>	<u>3</u>
	<u>72,654</u>	<u>125,961</u>
	<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to equity shareholders of the company:		
Basic and diluted	8	
– From continuing operations	4.18	5.35
– From discontinued operations	<u>–</u>	<u>–*</u>
Earnings per share for the period	<u>4.18</u>	<u>5.35</u>

* The amount represents less than HK0.01 cent.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021 – unaudited

(Expressed in Hong Kong dollars)

		As at 30 September 2021 HK\$'000	As at 31 March 2021 HK\$'000
	<i>Note</i>		
Non-current assets			
Investment properties		232,142	207,480
Other property, plant and equipment		1,540,305	1,550,599
Intangible assets		1,323,866	1,345,075
Interests in associates		55,669	57,484
Interests in joint ventures		4,262	4,036
Other non-current assets		54,129	73,091
Other financial assets		395,419	458,340
Deferred tax assets		11,047	10,263
		<u>3,616,839</u>	<u>3,706,368</u>
Current assets			
Inventories		319,579	356,184
Trade and other receivables	10	358,970	317,758
Current tax recoverable		5,551	6,490
Cash and cash equivalents		537,070	480,350
		<u>1,221,170</u>	<u>1,160,782</u>
Current liabilities			
Trade and other payables	11	285,096	137,722
Bank loans		627,491	685,909
Lease liabilities		36,247	35,941
Current tax payable		26,074	14,334
		<u>974,908</u>	<u>873,906</u>
Net current assets		<u>246,262</u>	<u>286,876</u>
Total assets less current liabilities		<u>3,863,101</u>	<u>3,993,244</u>

		As at 30 September 2021 HK\$'000	As at 31 March 2021 HK\$'000
Non-current liabilities			
Bank loans		715,215	892,210
Lease liabilities		34,919	34,563
Deferred tax liabilities		<u>206,514</u>	<u>206,362</u>
		<u>956,648</u>	<u>1,133,135</u>
NET ASSETS		<u>2,906,453</u>	<u>2,860,109</u>
CAPITAL AND RESERVES			
Share capital	12	19,157	19,157
Reserves		<u>2,414,610</u>	<u>2,370,691</u>
Total equity attributable to equity shareholders of the Company		2,433,767	2,389,848
Non-controlling interests		<u>472,686</u>	<u>470,261</u>
TOTAL EQUITY		<u>2,906,453</u>	<u>2,860,109</u>

NOTES

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 manufacturing and trading of generic drugs and branded healthcare products. The Company's shares were listed on the Main Board on 21 September 2016.

2 BASIS OF PREPARATION

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 2021 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, 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 2021, except for the accounting policy changes that are expected to be reflected in the consolidated financial statements for the year ending 31 March 2022. Details of any changes in accounting policies are set out in note 3.

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA for the current accounting period:

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

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

Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)*

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022. There is no significant impact to the Group's financial position and financial performance for the application of the amendment.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("**IBOR reform**"). The amendments do not have an impact on this interim financial report as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

4 REVENUE AND SEGMENT REPORTING

(A) REVENUE

The principal activities of the Group are manufacturing and trading of generic drugs and branded healthcare products. All the revenue for the six months ended 30 September 2021 and 2020 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. During the year ended 31 March 2021, the Group completed the spin-off listing of its branded healthcare business, which comprised branded medicines, proprietary Chinese medicines and health and wellness products. For the purpose of segment reporting, the Group reviewed the reportable segments and identified branded healthcare as a reportable segment. The prior period segment information for comparative purpose has been restated.

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

- Generic drugs: this segment develops, manufactures and distributes a host of off-patent medicines for various therapeutic use. Currently the activities in this regard are primarily carried out in Hong Kong.
- Branded healthcare: this segment develops, manufactures and/or distributes branded medicines, proprietary Chinese medicines and health and wellness products. Currently the activities in this regard are primarily carried out in Hong Kong.
- Wholesale and retail: this segment sells western and proprietary medicines in Hong Kong.

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

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

The wholesale and retail segment has been classified as discontinued operations of the Group for the six months ended 30 September 2020.

(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						Discontinued operations		Total	
	Generic drugs		Branded healthcare		Subtotal		Wholesale and retail		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
		(Restated)	(Restated)							
Revenue from external customers recognised at a point in time	562,177	503,795	188,236	191,630	750,413	695,425	-	14,202	750,413	709,627
Inter-segment revenue	160	2,575	1,136	4,475	1,296	7,050	-	-	1,296	7,050
Reportable segment revenue	<u>562,337</u>	<u>506,370</u>	<u>189,372</u>	<u>196,105</u>	<u>751,709</u>	<u>702,475</u>	<u>-</u>	<u>14,202</u>	<u>751,709</u>	<u>716,677</u>
Reportable segment profit/(loss) (adjusted EBITDA)	<u>162,879</u>	<u>173,574</u>	<u>41,085</u>	<u>60,687</u>	<u>203,964</u>	<u>234,261</u>	<u>-</u>	<u>(18)</u>	<u>203,964</u>	<u>234,243</u>

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

	Continuing operations		Discontinued operations	
	Six months ended 30 September		Six months ended 30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		
Generic drugs	562,177	503,795	-	-
Branded healthcare	188,236	191,630	-	-
Wholesale and retail	-	-	-	14,202
Total	<u>750,413</u>	<u>695,425</u>	<u>-</u>	<u>14,202</u>

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

	Continuing operations		Discontinued operations	
	Six months ended 30 September 2021 HK\$'000	2020 HK\$'000 (Restated)	Six months ended 30 September 2021 HK\$'000	2020 HK\$'000
Revenue				
Reportable segment revenue	751,709	702,475	-	14,202
Elimination of inter-segment revenue	(1,296)	(7,050)	-	-
Consolidated revenue	<u>750,413</u>	<u>695,425</u>	<u>-</u>	<u>14,202</u>
Profit				
Reportable segment profit/(loss)	203,964	234,261	-	(18)
Elimination of inter-segment profit	(108)	(870)	-	-
Reportable segment profit/(loss) derived from				
Group's external customers	203,856	233,391	-	(18)
Interest income from bank deposits and the investments	881	1,209	-	2
Fair value gain on investment properties	9,716	5,611	-	-
Depreciation and amortisation	(97,582)	(88,952)	-	-
Finance costs	(12,865)	(15,700)	-	-
Share of losses of associates	(1,815)	(1,547)	-	-
Share of losses of joint ventures	(285)	(1,765)	-	-
Gain on disposals of subsidiaries	-	2,608	-	-
Spin-off listing expense	-	(7,042)	-	-
Consolidated profit/(loss) before taxation	<u>101,906</u>	<u>127,813</u>	<u>-</u>	<u>(16)</u>

(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		Six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers				
Hong Kong (place of domicile)	676,186	652,632	–	14,202
Mainland China	26,811	8,473	–	–
Macau	33,241	20,108	–	–
Singapore	5,425	2,700	–	–
Others	8,750	11,512	–	–
	<u>750,413</u>	<u>695,425</u>	<u>–</u>	<u>14,202</u>

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

	As at	As at
	30 September	31 March
	2021	2021
	HK\$'000	HK\$'000
Specified non-current assets		
Hong Kong (place of domicile)	3,076,451	3,103,681
Mainland China	48,929	50,002
Macau	2	14
Taiwan	5,098	5,062
Cambodia	79,893	79,006
	<u>3,210,373</u>	<u>3,237,765</u>

(iv) *Information about major customers*

For the six months ended 30 September 2021, the Group's customer base includes one (six months ended 30 September 2020: one) customer of generic drugs and branded healthcare segments with whom transactions have exceeded 10% of the Group's revenue. Revenue from sales of generic drugs and branded healthcare products to this customer, including sales to entities which are known to the Group to be under common control amounted to approximately HK\$276,346,000 (six months ended 30 September 2020: HK\$250,357,000).

5 OTHER NET INCOME

	Continuing operations		Discontinued operations	
	Six months ended 30 September		Six months ended 30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Commission income	786	562	-	-
Interest income from bank deposits and the investments	881	1,209	-	2
Net foreign exchange loss	(127)	(334)	-	-
Net loss on disposal of other property, plant and equipment and intangible assets	(520)	(1,571)	-	-
Gain on disposal of a subsidiary	-	2,608	-	-
Fair value gain on investment properties	9,716	5,611	-	-
Subcontracting income	4,903	3,058	-	-
Rental income	482	1,524	-	-
Net distribution and logistic service income	8,469	-	-	-
Government grants (<i>Note</i>)	-	55,797	-	160
Others	2,008	2,583	-	100
	<u>26,598</u>	<u>71,047</u>	<u>-</u>	<u>262</u>

Note: During the six months ended 30 September 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Continuing operations	
	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
(A) Finance costs		
Interest on bank loans	12,095	14,592
Interest on lease liabilities	770	1,108
	<u>12,865</u>	<u>15,700</u>
(B) Other items		
Amortisation of intangible assets	22,348	18,712
Depreciation		
– owned property, plant and equipment	52,261	45,008
– right-of-use assets	22,973	25,232
Write-down of inventories	2,174	2,838
	<u>22,348</u>	<u>18,712</u>

7 INCOME TAX

	Continuing operations		Discontinued operations	
	Six months ended 30 September		Six months ended 30 September	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax	19,619	19,904	–	(19)
Deferred taxation	(572)	(4,541)	–	–
	<u>19,047</u>	<u>15,363</u>	<u>–</u>	<u>(19)</u>

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 2020: 16.5%) to the six months ended 30 September 2021. 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 equity shareholders of the Company of HK\$80,039,000 (six months ended 30 September 2020: HK\$102,513,000) and the weighted average of 1,915,677,000 ordinary shares (six months ended 30 September 2020: 1,916,653,000 shares) in issue during the period, calculated as follows:

	Six months ended 30 September	
	2021	2020
	<i>'000</i>	<i>'000</i>
Shares of the Company issued at the beginning of the period	1,915,677	1,916,953
Effect of shares held for Share Award Scheme	–	(300)
Weighted average number of ordinary shares in issue during the period	<u>1,915,677</u>	<u>1,916,653</u>
	Six months ended 30 September	
	2021	2020
	<i>HK'000</i>	<i>HK'000</i>
Profit attributable to equity shareholders of the Company arises from:		
– Continuing operations	80,039	102,510
– Discontinued operations	–	3
	<u>80,039</u>	<u>102,513</u>

(B) DILUTED EARNINGS PER SHARE

Diluted earnings per share for the six months ended 30 September 2021 and 2020 were the same as the basic earnings per share as there were no potentially dilutive ordinary share in existence during both periods.

9 DIVIDENDS

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

	Six months ended 30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend declared and paid after the Reporting Period of HK1.2 cents per share (six months ended 30 September 2020: HK0.8 cent per share)	23,211	15,474

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

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

	Six months ended 30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and payable during the following reporting period, of HK1.5 cents per share (six months ended 30 September 2020: HK2.5 cents per share, approved and paid during the following reporting period)	29,013	48,356
Less: Dividend of shares held by Share Award Scheme	(278)	(464)
	28,735	47,892

10 TRADE AND OTHER RECEIVABLES

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

	As at 30 September 2021 <i>HK\$'000</i>	As at 31 March 2021 <i>HK\$'000</i>
Less than 1 month	171,067	162,940
1 to 6 months	63,026	68,981
Over 6 months	64,910	29,072
Trade receivables	299,003	260,993
Other receivables	11,242	13,691
Deposits and prepayments	44,713	43,061
Amount due from an associate	7	13
Amount due from a joint venture	4,005	–
	358,970	317,758

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 2021 <i>HK\$'000</i>	As at 31 March 2021 <i>HK\$'000</i>
Less than 1 month	21,025	26,080
1 to 6 months	17,376	12,138
Over 6 months	365	372
Trade payables	38,766	38,590
Salary and bonus payables	48,619	42,049
Payables and accruals for addition of other property, plant and equipment	76	107
Other payables and accruals	190,169	48,139
Receipt in advance ^(#)	2,051	3,430
Amount due to an associate	3,407	3,407
Amount due to a joint venture	2,008	2,000
	<u>285,096</u>	<u>137,722</u>

^(#) These balances represent the excess of cumulative payments made by customers over the cumulative revenue in profit or loss at the end of the Reporting Period, and recognise as contract liabilities in accordance with HKFRS 15.

12 SHARE CAPITAL

	Number of shares '000	Amount <i>HK\$'000</i>
Issued ordinary shares of HK\$0.01 each:		
At 31 March 2021, 1 April 2021 and 30 September 2021	<u>1,915,677</u>	<u>19,157</u>

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The pandemic situation in Hong Kong stabilised as the fourth wave of the COVID-19 outbreak ended in May 2021. Reviving business sentiments on the back of the receding pandemic, as a result of the increasing vaccination rate, and the improving labour market have driven a real Gross Domestic Product (GDP) growth of 7.1% year-on-year for the first half of 2021. Alongside the boosting measures by the government, the overall economy of Hong Kong has embarked on a gradual recovery during the Reporting Period, though the consumer market and tourism-related businesses remain challenging with the prolonged travel restrictions in place.

RESULTS

Resilience in Generic Drugs Performance

Backed by the stable growth of the Public Sector and the recovery of the Private Sector for its generic drugs business, the Group delivered total revenue of approximately HK\$750.4 million, which represented a 7.9% growth during the Reporting Period. Total gross profit also increased by 2.5% to HK\$272.8 million, whilst total profit for the period amounting to HK\$82.9 million, reduced by HK\$29.6 million or 26.3%, mainly attributable to the base effect of the one-off Employment Support Scheme subsidy received from the Hong Kong Government in the amount of about HK\$55.8 million in FY2021 Interim. If excluding this subsidy, the profit for the period should have posted a growth of about 46.2% on a like-for-like basis.

The generic drugs business of the Group has demonstrated considerable resilience under the impact of the pandemic, posting a moderate growth of 11.6% during the Reporting Period. This was driven by the stable and solid growth of 9.3% in its Public Sector, along with a notable recovery of its Private Sector delivering growth at 13.8%.

The Group's subsidiary in consumer branded healthcare, JBM Healthcare, posted a soft decline of 1.8% in sales revenue during the Reporting Period, mainly attributable to the sluggish consumer demand in both domestic and certain overseas markets caused by the COVID-19 pandemic. Lingering travel restrictions across the region have had a significant impact on the performance of the retail and tourism-related consumption markets.

The Group maintains a healthy financial position as supported by its strong cash flows, with adjusted EBITDA of HK\$203.9 million for the Reporting Period such that the net gearing ratio decreased significantly from 38.4% as of 31 March 2021 to 27.7% as at the end of the Reporting Period. In addition, the Group has a strong cash position, with cash balance of HK\$537.1 million as at the end of the Reporting Period.

OPERATING PERFORMANCE

Robust Portfolio to Satisfy Customer and Patient Needs

The Group carries a broad and targeted portfolio of essential and specialty drugs to provide a comprehensive solution for the needs of medical professionals and patients. Although there was a slow down in medication demand of common cold and flu drugs during the pandemic due to social distancing measures and face mask wearing practice, medications for the aging population and chronic disease patients continue to exhibit a strong demand.

For instance, among the Group's cardiovascular offerings, the angiotensin II antagonist class and lipid-lowering product class recorded a notable growth of 34.4% and 27.7% in sales respectively during the Reporting Period, generated by new businesses secured for Losartan Tablets and Rosuvastatin Tablets as well as the continuous increase in consumption of anti-hypertensive drugs such as Perindopril Tablets in the Public Sector.

Furthermore, therapeutic sectors of psoriasis preparations and attention deficit hyperactivity disorder drugs (ADHD) also exhibited robust growth of 328.1% and 88.8% respectively, due to new public tenders awarded in the Public Sector. During the Reporting Period, the Group also secured first-time public tenders, which included Atosiban Injection, Idarubicin Injection, Quetiapine Extended Release Tablet 200mg, as well as Haloperidol Tablets 5mg and 10mg.

The Group's antiulcer drugs and anti-hypertensive class products also delivered strong growths of 24.2% and 88.0% respectively in the Private Sector, contributed by sales of new products such as Esomeprazole and combination products containing Amlodipine and Valsartan. Angiotensin II receptor antagonists and lipid-lowering products in the cardiovascular product class also recorded a strong growth of 65.0% and 35.0% respectively in the Private Sector.

Distribution of Fosun BioNTech Comirnaty Vaccine

The Group acts as the exclusive distributor of Fosun BioNTech Comirnaty Vaccine (the "Vaccine") in Hong Kong and Macau. The Fosun BioNTech Comirnaty vaccination program started in Hong Kong on 10 March 2021. As of the end of the Reporting Period, the Group delivered a total of 6.9 million doses of the Vaccine to the Department of Health and community vaccination centers in Hong Kong and the Macau government.

The speed of social and economic recovery will largely depend on our pace of reaching herd immunity through vaccination. We are committed to working with the governments and professional partners in ensuring a high vaccination rate for Hong Kong and Macau. We will continue to collaborate with Fosun Pharma on supplying the third vaccination doses for the public if the booster shot is deemed necessary by the health authorities.

Continuing Supply of Infection Control Products for Medical Professionals

The Group continued to supply World Health Organization formulation alcohol hand rubs ("WHO Alcohol Hand Rubs") for medical professionals in our fight against the COVID-19 pandemic. We distributed a total of 216,000 bottles of WHO Alcohol Hand Rubs to medical practitioners in both Public and Private Sectors during the Reporting Period.

In addition, the Group manufactured a branded series of face masks, “MedProtect”, to cater to the protective needs of healthcare professionals and the public in Hong Kong under its own PIC/S GMP certified manufacturing facilities with EN ISO 13485:2016 certification. During the Reporting Period, we supplied more than 29,000 boxes of MedProtect face masks with ASTM Level 1 and EN 14683 Type II R standards to more than 2,000 medical professionals.

New Products Introduction

A number of new products, including Antisob Injection, Indarubicin Injection, Acitretin Capsule, Atomoxetine Capsule, Finasteride Tablet, Homatropine Eye Drops, Ofloxacin Eye Drops and Ear Drops, were launched during the Reporting Period, as we continued our efforts to introduce quality generics to meet medical and patient needs.

Additionally, the Group has secured the registration approvals for a group of new products such as Febuxostat Tablet, Brimonidine and Timolol Eye Drops, Olmesartan Tablet and Telmisartan and Hydrochlorothiazide Tablet for upcoming market launches.

R&D Pipeline on Track

Progress with our product pipeline was on track. During the Reporting Period, a total of 10 products, including Haloperidol oral drops, Mesalazine enteric coated tab, Vildagliptin tablet and three strengths of Sitagliptin phosphate tablets, have completed the development process and have been submitted to Department of Health for approval. Also, ten new drugs in categories covering cardiovascular, gastrointestinal, dermatology and nutritional supplement were added to the pipeline.

As of 30 September 2021, there are 171 products in our pipeline, 54 items have been approved for registration, 10 of them have been submitted for registration, 39 items have finished the development stage and are under stability preparation or stability study, plus 27 items currently under formulation research or pre-formulation research.

Enhancements in Production

With the resumption of growth in demand, the Group’s manufacturing output has enjoyed a steady improvement during the Reporting Period. Our manufacturing planning and stock optimisation have adopted a more prudent approach to cater to the gradually recovering market demand.

Contributed by the relaunching of caffeine citrate injection, the total manufacturing output of our sterile preparations, which includes eye drops and injections, increased by 9.7%, amounting to more than 18 thousand litres during the Reporting Period. The output of the sterile line is expected to grow with the continued production streamlining and integration of new products from the Group’s R&D pipeline.

For solid dosage forms, the Group recorded a total output of 1.5 billion capsules and tablets during the Reporting Period with a modest growth of 2.2%. Similarly, the production output of liquid dosage forms also recorded 2.3% growth at a total volume of more than 501 thousand litres. Such growth was hindered mainly by the reduced demand for the common cold and flu medications as result of the social distancing measures and face mask wearing practice of the public during the pandemic.

The Group has further enhanced its commercialisation and production capability for certain new and untapped formulations with the acquisition of Great Global Inc. and its subsidiary in FY2021. In addition, the Group's newly installed oral solid production lines will further expand its production capacity in advanced solid dosage forms.

BUSINESS DEVELOPMENTS

In-licenses of Specialised Products

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

During the Reporting Period, the Group signed exclusive in-license agreements for four specialised drugs of the central nervous system (CNS) and immunomodulatory classes from Europe.

Among them is a branded prescription drug from the originator in France indicated for the treatment of excessive daytime sleepiness (EDS) or cataplexy in adult patients with narcolepsy. Another item is an essential drug from Spain for the treatment of depression & anxiety disorders. The other two are medications for treating multiple myeloma (MM), a cancer form in plasma cells.

Three of the items above are eligible for tender bidding in the coming years, one of which will be the first branded drug in Hong Kong as a new chemical entity (NCE).

E-commerce Platform to Enhance Customer Access

The COVID-19 pandemic has helped drive purchase habits online and is expected to accelerate the growth of e-commerce businesses in Hong Kong. Also, in order for us to stay competitive and connected with our customers online, convenience and speed will become critical factors in meeting their demand and expectation.

To respond to the challenge and opportunity, we have expedited our plan to extend our customer relationship management (CRM) system into an e-commerce platform. Through the e-commerce platform, medical professionals and customers can have easy access to our full range of products, instant interaction with us on product inquiries, and direct placement of orders. The platform will also act as a product promotion and marketing channel to facilitate our new product launches and sales promotion in the future. It can also provide the systematic order history to the doctors and clinics to simplify their order and inventory management as a high value-added service to customers to enhance engagement and loyalty.

Seize Business Opportunity in the Guangdong-Hong Kong-Macau Greater Bay Area (“GBA”)

Under the “Work Plan for Regulatory Innovation and Development of Pharmaceutical and Medical Device in the Guangdong-Hong Kong-Macau Greater Bay Area (《粵港澳大灣區藥品醫療器械監管創新發展工作方案》)”, Guangdong Provincial Medical Products Administration (MPA) announced in August 2021 the latest regulations of importing Hong Kong registered drugs with urgent clinical needs to designated healthcare institutions in the GBA.

Besides the Hong Kong University-Shenzhen Hospital, the plan will extend to cover other Hong Kong and Macau healthcare institutions in the GBA. The expansion of the plan will present valuable business opportunities to the Group as a major generic drugs supplier in Hong Kong. The Group is actively identifying potential strategic partners in exploring and forging its presence in the GBA market.

OUTLOOK

The unprecedented impact of COVID-19 has rippled across Hong Kong’s economy and taken its toll since the beginning of 2020. As the challenges continued in 2021, we have seen gratifying signs of improvement in the second half of the year. We have reasons to be positive that we have emerged on a gradual recovery track in the wake of the pandemic.

Impact on this scale and magnitude will inevitably bring and accelerate changes, among which strengthening our healthcare system is an irrefutable priority given that health is a critical social asset. This is reflected in the rise of the Hong Kong Government’s budgeted health spending by almost 18.0% to HK\$115.8 billion in fiscal year 2021-2022. Albeit the protracted impact of the pandemic on business performance, we believe it will be transient. We remain positive in the future outlook for the healthcare industry and the growth impetus of the generic drugs market.

Led by the increased prevalence of chronic diseases and the aging population in Hong Kong, the rising consumption trend on generic drugs, especially in the Public Sector, is evident and expected to continue. The adoption of generic drugs substitution policy by governmental institutions would impact positively the growth prospect of the local generic drugs market, which will be further boosted by the expiration of patents for a host of blockbuster drugs in recent and upcoming periods.

To capitalise on the prospects, we will stay focused on making headway for our growth strategies and well-positioning ourselves as an eminent provider of essential medicines and specialty drugs in Hong Kong and Asia. We have built a generic portfolio of over 100 differentiated product families marketed in various dosage forms and hold a leading position in a number of therapeutic categories. To further strengthen our market position, our strategic priorities will center on maximising the commercial opportunities of our portfolio of offerings, strengthening our product pipelines through in-licensing and in-house R&D, building a sound commercial platform on marketing and regulatory affairs management to forge collaboration with regional and international partners, and expanding our presence in strategic markets in Asia.

In respect of the branded healthcare business of the Group, we believe the consumer healthcare market will also keep up with its growth momentum under the backdrop of an aging population, the sedentary lifestyle, and the heightened health consciousness, especially in the post-COVID-19 era. Apart from the demand for over-the-counter drugs and wellness products such as nutritional supplements, proprietary Chinese medicines and concentrated Chinese medicine granule products will continue to gain a greater popularity by favorable government policy support and growing consumer acceptance. In addition, the pandemic has also shifted purchasing behavior from offline to online. The fast-growing PRC cross-border e-commerce platform is expected to lead to notable growth in demand for healthcare products in China. Those growth drivers will continue to benefit the development of the Group's branded healthcare business.

REMUNERATION POLICY

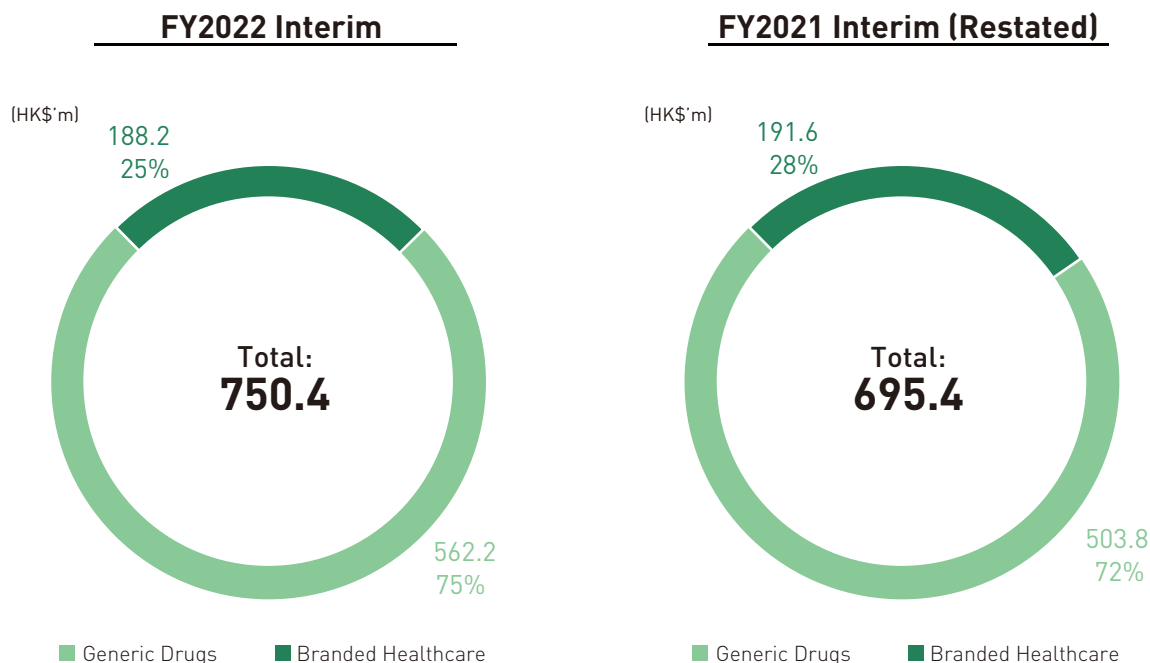
As of 30 September 2021, the Group has a total of 1,723 employees (compared to 1,915 employees as of 30 September 2020). For the Reporting Period, the total staff costs of the Group was HK\$202.9 million, compared to HK\$212.6 million for the six months ended 30 September 2020 with various cost rationalisation measures have been implemented since April 2020 to face the economic challenge caused by the pandemic. All of the Group's employees have entered into standard employment contracts with the Group. Remuneration packages for the Group's employees in general comprise one or more of the following elements: basic salary, sales-related incentives, productivity-related incentives and work performance bonuses. The Group sets out performance attributes for its employees based on their positions and job functions. It periodically reviews their work performance against the Group's strategic objectives and targets. The results of such reviews are taken into consideration when assessing salary adjustments, bonus awards, promotions, staff development plans and training needs. The Group provides various benefit schemes to its employees including annual leave entitlement, mandatory provident fund, group medical insurance and life insurance. A workers union has been established for the Group's employees in China according to local labour laws. As of 30 September 2021, the Group has not experienced any strikes or any labour disputes with its employees which would likely have had a material impact on its business.

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

FINANCIAL REVIEW

REVENUE

Revenue by Operating Segments

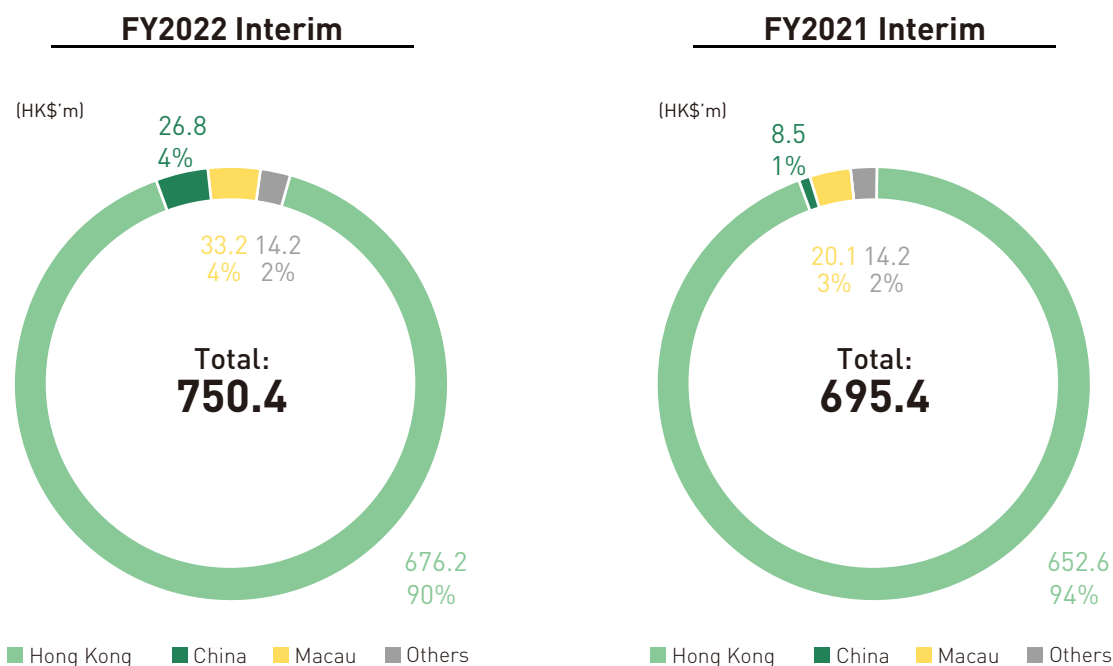


The increase in revenue of HK\$55.0 million or 7.9% compared to FY2021 Interim was due to the increase in revenue of HK\$58.4 million or 11.6% in the generic drugs segment, partially offset by the soft decline of HK\$3.4 million or 1.8% in the branded healthcare segment. The revenue split of the two segments was at the ratio of 75% and 25%.

In the generic drugs segment, with the relief of pandemic-control measures and gradual recovery of social activities, demand for private clinics services began to resume such that Private Sector has recorded a 13.8% growth in revenue during the Reporting Period. Public Sector has also achieved a steady growth of 9.3% in revenue, attributed to the award of new public tenders and increasing demand of essential medicines driven by the ageing population and prevalence in chronic diseases during the Reporting Period.

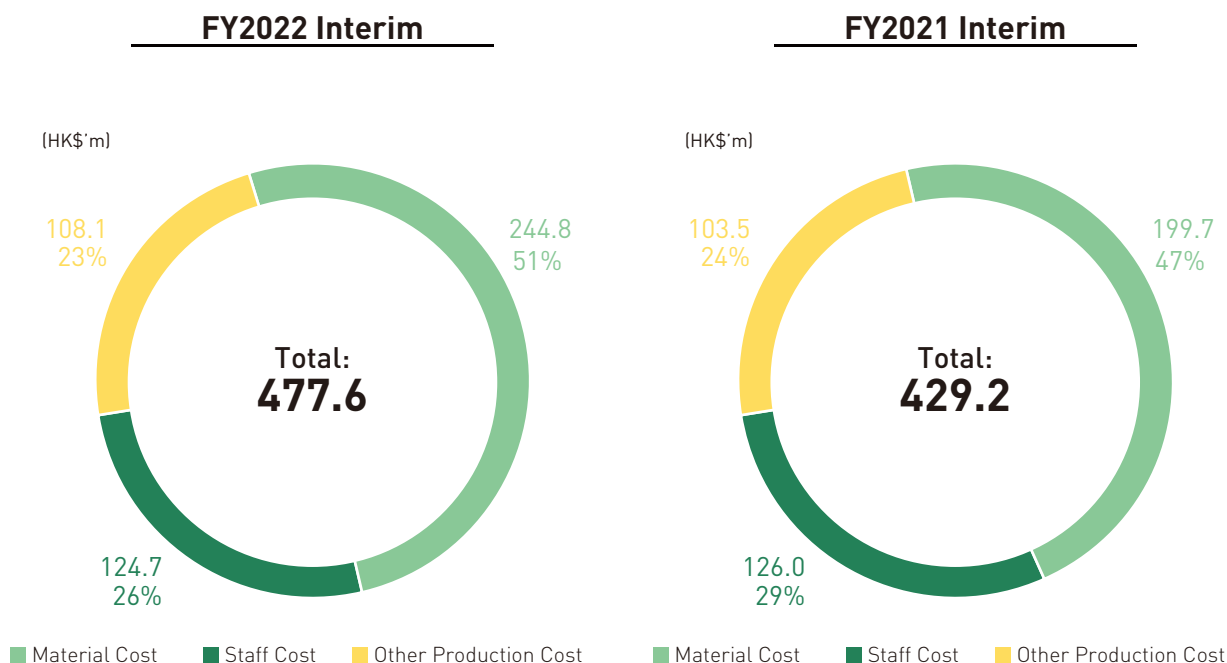
In the branded healthcare segment, the decline in revenue was mainly attributable to the significant decline in sales of Po Chai Pills as a result of the sluggish consumer demand in both domestic and certain overseas markets caused by the COVID-19 pandemic, as well as personal hygiene and infection control products as a result of the stabilisation of the COVID-19 pandemic in Hong Kong. This was nearly fully compensated by the sales growth in concentrated Chinese medicine granules business and some notable branded products such as AIM Atropine Eye Drops and Oncotype DX[®] Breast Cancer Recurrence Score Test, as well as the significant increase in sales through cross-border e-commerce platforms during the Reporting Period.

Revenue by Geographic Locations



Hong Kong continued to be the major revenue stream, representing 90% of the total revenue with an increase of HK\$23.6 million compared to FY2021 Interim due to prominent comeback of the generic drugs business in both Private and Public Sectors during the Reporting Period as a result of the stabilisation of COVID-19 pandemic in Hong Kong. The revenue in China increased by HK\$18.3 million, mainly due to the significant increase in sales of third party woodlok oil products to various cross-border e-commerce platforms during the Reporting Period and the increase in sales of Puji Pills following the change in distributor. The revenue increase in Macau by HK\$13.1 million was mainly contributed by the growing demand for AIM Atropine Eye Drops and an expanded sales base for generic drugs products. The revenue from other overseas markets remained stable at HK\$14.2 million.

COST OF SALES

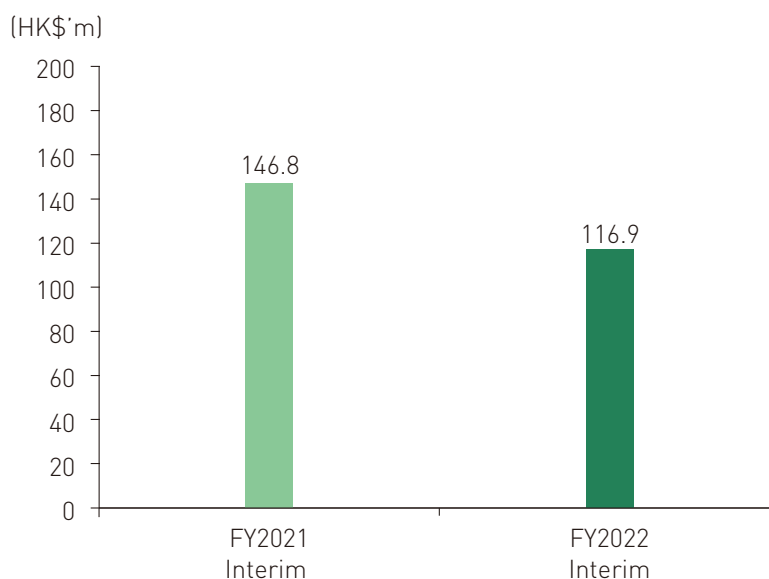


The increase in cost of sales of HK\$48.4 million or 11.3% was mainly driven by the increase in sales revenue during the Reporting Period. Material cost continued to be the major component contributing approximately 51% of the total cost of sales, while staff cost and other production cost contributed to 26% and 23% respectively.

The increase in material cost of HK\$45.1 million or 22.6% was attributable to the significant increase in sales of third party woodlok oil products to various cross-border e-commerce platforms with relatively low margin compared to existing products of the Group.

The slight decrease in staff cost of HK\$1.3 million or 1.0% was mainly due to the implementation of stringent cost rationalisation measures by the Group to face the economic challenge caused by the COVID-19 pandemic, while the increase in other production cost of HK\$4.6 million or 4.4% was generally in line with the overall sales trend of the Group.

PROFIT FROM OPERATIONS



The profit from operations dropped by HK\$29.9 million or 20.4% to HK\$116.9 million, which was mainly due to the one-off Employment Support Scheme subsidy from the Hong Kong Government of HK\$55.8 million recognised in FY2021 Interim as other net income and the decrease in profit from operations of the branded healthcare segment of HK\$17.5 million, partially compensated by the increase in profit from operations of the generic drugs segment of HK\$43.4 million during the Reporting Period as a result of the stabilisation of the COVID-19 pandemic in Hong Kong.

Excluding the one-off Employment Support Scheme subsidy from the Hong Kong Government, the profit from operations increased by 28.5% during the Reporting Period.

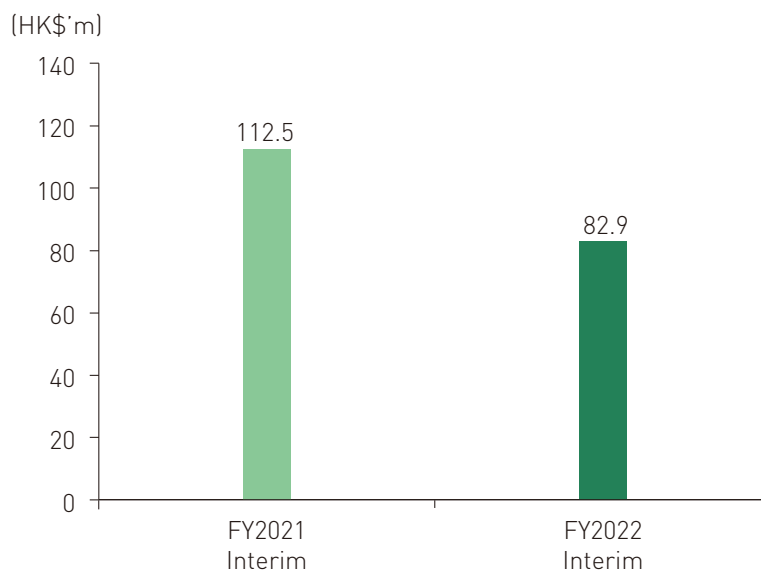
FINANCE COSTS

The decrease in finance costs was mainly attributable to the lower bank loan balance as a result of partial repayment of bank loans during the Reporting Period.

INCOME TAX

Increase in income tax was mainly attributable to the higher profit from operations during the Reporting Period compared to FY2021 Interim after excluding the non-taxable one-off Employment Support Scheme subsidy from the Hong Kong Government of HK\$55.8 million recognised in FY2021 Interim.

PROFIT FOR THE PERIOD



The profit for the period decreased by HK\$29.6 million or 26.3% to HK\$82.9 million, which was mainly attributable to the one-off Employment Support Scheme subsidy from the Hong Kong Government of HK\$55.8 million recognised in FY2021 Interim as other net income and the decrease in profit for the period of the branded healthcare segment of HK\$13.7 million, partially compensated by the increase in profit for the period of the generic drugs segment of HK\$39.9 million during the Reporting Period as a result of the stabilisation of the COVID-19 pandemic in Hong Kong.

Excluding the one-off Employment Support Scheme subsidy from the Hong Kong Government, the profit for the period increased by 46.2% during the Reporting Period.

ASSETS

Investment properties and other property, plant and equipment

The increase in investment properties and other property, plant and equipment principally reflected the additions of HK\$80.0 million which mainly arose from the acquisitions of properties and plant and machinery used by our pharmaceutical manufacturing plants and the fair value adjustment in investment properties of HK\$9.7 million, offset partially by depreciation of HK\$75.2 million and disposals of other property, plant and equipment with net book value of HK\$0.7 million.

Intangible assets

The decrease in intangible assets was primarily attributable to the amortisation of HK\$22.3 million, offset partially by capitalisation of development costs of HK\$1.6 million.

Inventories

The decrease in inventories by HK\$36.6 million or 10.3% was mainly resulted from stringent inventory management measures in order to optimise the inventory level during the time of COVID-19 pandemic, as well as significant sales rebound of the generic drugs business during the Reporting Period as a result of the stabilisation of COVID-19 pandemic in Hong Kong.

Cash and cash equivalents

Approximately 94.1% of cash and cash equivalents as at 30 September 2021 were denominated in Hong Kong dollars (as at 31 March 2021: 93.7%), while the remaining balance was denominated in Euros, United States dollars, Renminbi, Taiwan dollars, Singapore dollars and Macau pataca.

LIABILITIES

Bank loans

The decrease in bank loans as at 30 September 2021 was mainly attributable to partial repayment of bank loans during the Reporting Period. As at 30 September 2021, all bank loans of the Group were denominated in Hong Kong dollars.

USE OF PROCEEDS

Use of IPO proceeds

Net proceeds of HK\$695,540,000 were raised from the initial public offering of the Company (included proceeds from the over-allotment option exercised by the underwriter amounted to HK\$98,438,000 and after the deduction of underwriting fees, commissions and expenses paid by the Company in connection with the initial public offering) (the “**IPO Proceeds**”). There has not been any change to the intended use of the IPO Proceeds or the allocated amount as disclosed in the Prospectus issued by the Company.

The table below sets forth the status of utilisation of the IPO Proceeds as at 31 March 2021 and 30 September 2021 respectively, and the expected timeline of the use of the unutilised IPO Proceeds:

Use of IPO Proceeds as set out in the Prospectus	Proposed application HK\$'000	As at 31 March 2021		As at 30 September 2021		Expected timeline for utilising the remaining IPO Proceeds
		Actual utilised amount HK\$'000	Unutilised amount HK\$'000	Actual utilised amount HK\$'000	Unutilised amount HK\$'000	
Acquisitions – Expansion of businesses in generic drugs and proprietary medicines	139,108	139,108	–	139,108	–	N/A
Acquisitions – Enhancement of distribution network	104,331	104,331	–	104,331	–	N/A
Acquisitions – Intangible assets	69,554	69,554	–	69,554	–	N/A
Capital investments	113,197	113,197	–	113,197	–	N/A
– Upgrading of manufacturing plants and facilities						
Capital investments	12,000	12,000	–	12,000	–	N/A
– Two specific automated production facilities						
Expansion of bioequivalence clinical studies	94,331	68,241	26,090	72,417	21,914	On or before 31 March 2023
Establishment of a new joint R&D centre with HKIB	10,000	5,156	4,844	5,774	4,226	On or before 31 March 2023
Marketing and advertising	83,465	83,465	–	83,465	–	N/A
General working capital	69,554	69,554	–	69,554	–	N/A
Total	695,540	664,606	30,934	669,400	26,140	

The Group intends to apply the remaining IPO Proceeds according to the plans disclosed in the Prospectus as shown above.

Use of proceeds from issuance of new shares

Upon completion of the subscription of 200,000,000 shares by Yunnan Baiyao Holdings Company Limited* (雲南白藥控股有限公司) (“**Yunnan Baiyao**”) at the subscription price of HK\$2.06 per share pursuant to a subscription agreement dated 14 August 2018, net proceeds of HK\$411,658,000 were raised from such issuance of shares to Yunnan Baiyao (after the deduction of all related fees and expenses payable in connection with the issuance of shares of HK\$342,000) (the “**Subscription Proceeds**”). There has not been any change to the intended use of the Subscription Proceeds or the allocated amount as disclosed in the announcement of the Company dated 14 August 2018 (the “**Subscription Announcement**”).

* For identification purpose only

The table below sets forth the status of utilisation of the Subscription Proceeds as at 31 March 2021 and 30 September 2021 respectively.

Use of Subscription Proceeds as set out in the Subscription Announcement	Proposed application HK\$'000	As at 31 March 2021		As at 30 September 2021	
		Actual utilised amount HK\$'000	Unutilised amount HK\$'000	Actual utilised amount HK\$'000	Unutilised amount HK\$'000
Mergers and acquisitions, strategic alliances and in-licensing of products	205,829	205,829	–	205,829	–
Acquisition, expansion and upgrading of operating facilities	164,663	164,663	–	164,663	–
General working capital	41,166	41,166	–	41,166	–
Total	<u>411,658</u>	<u>411,658</u>	<u>–</u>	<u>411,658</u>	<u>–</u>

The Subscription Proceeds were used according to the plans disclosed in the Subscription Announcement as shown above.

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 as 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\$1,042.2 million as at 31 March 2021 to HK\$1,026.6 million as at 30 September 2021.

NET GEARING RATIO

The net gearing ratio of the Group (bank loans less cash and cash equivalents, divided by total equity multiplied by 100%) decreased from 38.4% as of 31 March 2021 to 27.7% as of 30 September 2021. The decrease in net gearing ratio was attributable to partial repayment of bank loans during the Reporting Period.

FINANCIAL RISK ANALYSIS

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

CONTINGENT LIABILITIES

As of 30 September 2021, the Group did not have any significant contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

No significant event has taken place subsequent to 30 September 2021 and up to the date of this interim results announcement.

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.

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

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 of the Board for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively.

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

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 four independent non-executive Directors, namely Mr. Young Chun Man, Kenneth (Chairman), Dr. Lam Kwing Tong, Alan, Professor Wong Chi Kei, Ian 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.

REVIEW OF INTERIM RESULTS

The interim results for the six months ended 30 September 2021 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 2021 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 2021.

INTERIM DIVIDEND

The Board recommends the payment of an interim dividend per ordinary share for the six months ended 30 September 2021 of HK1.2 cents for the total amount of approximately HK\$23.2 million (six months ended 30 September 2020: HK0.8 cent). The interim dividend will be paid on 23 December 2021 (Thursday) to shareholders whose names appear on the register of members of the Company on 14 December 2021 (Tuesday), the record date. The details of interim dividend of the Group are set out in note 9 to this interim results announcement.

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 13 December 2021 (Monday) to 14 December 2021 (Tuesday), both days inclusive, during which period no transfer of shares of the Company will be registered. All transfer documents, accompanied by the relevant share certificates, shall be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 10 December 2021 (Friday).

PUBLICATION OF THIS INTERIM RESULTS ANNOUNCEMENT AND THE 2021 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 2021 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

Hong Kong, 26 November 2021

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 and Ms. Pun Yue Wai as executive Directors, and Dr. Lam Kwing Tong, Alan, Mr. Young Chun Man, Kenneth, Professor Wong Chi Kei, Ian and Professor Lam Sing Kwong, Simon as independent non-executive Directors.

GLOSSARY

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

“2021 Interim Report”	the interim report of the Company for the six months ended 30 September 2021
“AIM Atropine Eye Drops”	refers to AIM Atropine 0.01% Eye Drops and AIM Atropine 0.125% Eye Drops procured from Aseptic Innovative Medicine Co. Ltd., an anticholinergic agent as a sterile topical preservative-free ophthalmic solution that is commonly used in the treatment of myopia, mydriasis and cycloplegia
“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”, “PRC” or “the PRC”	the People’s Republic of China excluding, for the purpose of this interim results announcement, 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
“COVID-19”	Coronavirus disease 2019
“Director(s)”	the director(s) of the Company
“Fosun Pharma”	Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (上海復星醫藥(集團)股份有限公司), a joint stock limited company incorporated in the PRC with limited liability
“FY2021”	the year ended 31 March 2021
“FY2021 Interim”	the six months ended 30 September 2020
“FY2022”	the year ending 31 March 2022
“FY2022 Interim” or “Reporting Period”	the six months ended 30 September 2021
“GMP”	Good Manufacturing Practice, a set of detailed guidelines on practices governing the production of pharmaceutical products designed to protect consumers by minimising production errors and the possibility of contamination

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKIB”	The Hong Kong Institute of Biotechnology
“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, an indirect non-wholly owned subsidiary of the Company (stock code: 2161)
“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
“PIC/S”	two international instruments, the Pharmaceutical Inspection Convention and the Pharmaceutical Inspection Co-operation Scheme, which seek to promote constructive co-operation in the field of GMP between the participating authorities in different geographic markets
“PIC/S GMP”	Good Manufacturing Practice in accordance with the PIC/S GMP Guide issued by PIC/S
“Private Sector”	refers to non-Public Sector

“Prospectus”	the prospectus issued by the Company dated 8 September 2016
“Public Sector”	refers to public sector institutions and clinics in Hong Kong
“R&D”	research and development
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited