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You should read the following discussion and analysis with our consolidated financial information as of March 31, 2018, 2019 and 2020 and July 31, 2020 and for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2019 and 2020, including the notes thereto, included in the Accountants' Report set forth in Appendix I to this prospectus. The financial information included in the Accountants' Report has been prepared in accordance with HKFRSs. The following discussion and analysis and other parts of this prospectus contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a leading Hong Kong-based company that markets and distributes branded healthcare products with product footprint across Greater China, Southeast Asia and other select countries. Our portfolio includes a wide range of branded healthcare products divided into two product categories, namely consumer healthcare and proprietary Chinese medicines. Our consumer healthcare products consist of branded medicines, which are proprietary medicines primarily distributed over-the-counter, and health and wellness products. Our proprietary Chinese medicines consist of OTC proprietary Chinese medicines and CCMG products. As at March 31, 2020, we carried 20 principal brands (identified as our top 20 brands in terms of revenue contribution during the financial year), including 11 third-party brands and 9 own brands, which together accounted for 94.3% of our total revenue for that financial year. We operate a vertically integrated business encompassing brand management and marketing, sourcing and representation of third-party brand products, development and manufacturing of own brand products, and sales and distribution.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on January 7, 2020 as an exempted company with limited liability under the Cayman Companies Act. Pursuant to the Reorganization, the companies and businesses now comprising our Group that took part in the Reorganization were controlled by Jacobson Pharma both prior to and after the Reorganization. The control is not transitional and, consequently, there was a continuation of the risks and benefits to Jacobson Pharma. The Reorganization is therefore considered a business combination of entities and businesses under common control. The historical financial information contained in our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus has been prepared using a merger basis of accounting as if the companies and businesses now comprising our Group had been consolidated at the beginning of the Track Record Period unless the combining companies and businesses first came under common control at a later date. The assets and liabilities of the combining companies and businesses have been consolidated using the existing book values from Jacobson Pharma's perspective.

Our consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements include the consolidated results of operations of the companies and businesses now comprising our Group for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2019 and 2020 (or where the companies were incorporated, established or acquired at a date later than April 1, 2017, for the period from the date of incorporation, establishment or acquisition to July 31, 2020) as if the current group structure had been in existence throughout the same years and as if the branded healthcare business was transferred to our Group at the beginning of the earliest period presented or when such business was established, whichever is the shorter period, but exclude the other economic activities engaged by certain subsidiaries of Jacobson Pharma that also engaged in the branded healthcare business, which is not part of our Group pursuant to the Reorganization. Our consolidated statements of financial position as of March 31, 2018, 2019 and 2020 and July 31, 2020 have been prepared to present the state of affairs of our Group as of the respective dates as if the Reorganization had occurred on April 1, 2017. See Note 1 to our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus and the section headed "History, Reorganization and Corporate Structure" for further information.

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EFFECTS OF THE NEW STANDARDS OF AND AMENDMENTS TO HKFRS

Adoption of HKFRS 9, HKFRS 15 and HKFRS 16

Our consolidated financial information has been prepared based on our underlying financial statements, in which HKFRS 9 “Financial instruments” (“**HKFRS 9**”), HKFRS 15 “Revenue from contracts with customers” (“**HKFRS 15**”) and HKFRS 16 “Leases” (“**HKFRS 16**”) have been adopted. We have consistently applied HKFRS 9, HKFRS 15 and HKFRS 16 throughout the Track Record Period, such that our consolidated financial information is comparable on a period-to-period basis.

HKFRS 9 replaces HKAS 39 “Financial instruments: recognition and measurement” and related interpretations. It sets out the requirements for recognizing and measuring financial assets, financial liabilities and certain contracts to buy or sell non-financial items. HKFRS 9 is effective for the financial year beginning on or after January 1, 2018, and earlier application is permitted. We have elected to apply HKFRS 9 in the preparation of our consolidated financial information throughout the Track Record Period. Our Directors are of the view that the application of HKFRS 9 had no significant impact on our financial position and financial performance as compared to that of HKAS 39.

HKFRS 15 supersedes HKAS 18 “Revenue” and related interpretations and applies to all revenue arising from contracts with customers, unless such contracts are in the scope of other standards. HKFRS 15 is effective for the financial year beginning on or after January 1, 2018, and earlier application is permitted. We have elected to apply HKFRS 15 in the preparation of our consolidated financial information throughout the Track Record Period. Our Directors are of the view that the application of HKFRS 15 had no significant impact our financial position and financial performance as compared to that of HKAS 18.

HKFRS 16 replaces HKAS 17 “Leases,” under which all leases are recognized in the form of assets (being the right-of-use assets classified under properties, plant and equipment in our consolidated financial information) and financial liabilities (being the lease liabilities in our consolidated financial information) on our consolidated statements of financial position at the commencement of respective leases, except for leases of low-value assets. The standard is effective for the financial year beginning on or after January 1, 2019 and earlier application is permitted. We have elected to apply HKFRS 16 in the preparation of our consolidated financial information throughout the Track Record Period. Notwithstanding our Group recognized right-of-use assets and lease liabilities during the Track Record Period as a result of the application of HKFRS 16, our Directors are of the view that there was no significant impact of the application of HKFRS 16 on our key ratios, financial position and financial performance as compared to that of HKAS 17. The following table summarizes the impacts of the application of HKFRS 16 on certain key items of our consolidated financial information and key ratios:

	As of/For the year ended March 31,									As of/For the four months ended		
	2018			2019			2020			July 31, 2020		
	Currently reported under HKFRS 16	As if reported under HKAS 17	Difference	Currently reported under HKFRS 16	As if reported under HKAS 17	Difference	Currently reported under HKFRS 16	As if reported under HKAS 17	Difference	Currently reported under HKFRS 16	As if reported under HKAS 17	Difference
Net assets (HK\$'000)	121,190	121,746	(556)	178,110	178,723	(613)	714,704	715,376	(672)	887,008	887,654	(646)
Profit for the year/period (HK\$'000)	43,846	44,020	(174)	59,268	59,325	(57)	44,297	44,355	(58)	8,504	8,478	26
Current ratio	0.35	0.35	–	0.35	0.35	–	2.70	2.97	(0.27)	5.78	6.94	(1.16)
Quick ratio	0.32	0.32	–	0.32	0.33	(0.01)	2.07	2.27	(0.20)	4.65	5.58	(0.93)
Gearing ratio	10.6%	10.6%	0.0%	2.7%	2.6%	0.1%	–	–	–	–	–	–

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FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition and results of operations are principally affected by the following factors:

Growth of Our Consumer Healthcare Business

Our consumer healthcare business consists of branded medicines, which are primarily distributed over-the-counter, and health and wellness products. We generated a substantial proportion of our revenue from sales of consumer healthcare products during the Track Record Period, accounting for 54.9%, 52.8%, 51.8% and 46.2% of our revenue for the years ended March 31, 2018, 2019 and 2020, and the four months ended July 31, 2020, respectively. We recorded growth in revenue from sales of consumer healthcare products from HK\$145.2 million for the year ended March 31, 2018 to HK\$162.3 million for the year ended March 31, 2019 and HK\$197.5 million for the year ended March 31, 2020, and from HK\$45.0 million for the four months ended July 31, 2019 to HK\$54.9 million for the four months ended July 31, 2020. The growth of our consumer healthcare business has been, and will likely continue to be, affected by general market demand, and particularly demand in Hong Kong. According to the Frost & Sullivan Report, the size of the OTC branded medicine market in Hong Kong grew at a CAGR of 3.1% from HK\$2.9 billion in 2015 to HK\$3.3 billion in 2019 and is expected to reach HK\$3.6 billion by 2024. Meanwhile, the Hong Kong health and wellness market size grew at a CAGR of 2.7% from HK\$10.8 billion in 2015 to HK\$12.0 billion in 2019 and is expected to reach HK\$12.9 billion by 2024. General market demand may be affected by various factors, including the introduction of competing products in the market, changes in consumer preferences and perception of a product driven by increases or decreases in retail spending, health awareness, aging population or otherwise, life cycle of a product, and brand erosion and fatigue. Any changes in general market demand may in turn affect our future sales and results of operations. Moreover, we intend to further support the growth of our consumer healthcare business by expanding our product footprint geographically. In particular, we seek to deepen our product penetration in China through cross-border e-commerce initiatives. According to the Frost & Sullivan Report, the gross merchandise volume of pharmaceutical products e-commerce market in China reached HK\$50.5 billion in 2019, representing a CAGR of 61.1% from 2015, and is forecasted to reach HK\$452.2 billion by 2024. Our ability to effectively manage the distribution of our products through cross-border e-commerce channel and successfully capture the market opportunities may impact our financial condition and results of operations.

The results of operations of our consumer healthcare business will also likely be affected by the size and quality of our product portfolio. We will seek to grow our portfolio organically by (i) extending our existing collaboration with third-party brand owners both in terms of product and geographical representation, (ii) sourcing from new third-party brand owners with synergetic products, and (iii) developing product line extensions by building on existing own brand products and their brand appeal. In particular, we strive to expand our consumer healthcare portfolio by targeting cosmeceutical and nutraceutical products with market potential while prioritizing product efficacy and quality. For further details, see the sections headed “Business — Our Business Strategies” and “Business — Our Competitive Strengths.” Our ability to continually source or develop quality new products will therefore have an impact on the development and growth of our consumer healthcare business.

Market Demand for Our Proprietary Chinese Medicines

We sell proprietary Chinese medicines in Greater China and select overseas markets. Our proprietary Chinese medicine business accounted for 45.1%, 47.2%, 48.2% and 53.8% of our revenue for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively. Many of our proprietary Chinese medicines are heritage household brands highly recognized among Chinese consumers. Our results of operations are dependent on our ability to maintain or enhance the quality of our products, to accurately analyze the market landscape and changing demographics and consumer preferences, and to rejuvenate these heritage household brands to continue to grow the end-consumer base of our proprietary Chinese medicines.

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Furthermore, we expanded our product coverage to include CCMG products in the year ended March 31, 2020 following our acquisition of the Orizen Group in two tranches in 2018 and 2019. For further details of the acquisition, see the section headed “History, Reorganization and Corporate Structure — Major Acquisitions and Disposals — Acquisition of the Orizen Group.” CCMG products contributed significantly to our profit for the year ended March 31, 2020. Our ability to successfully integrate the business of the Orizen Group and remain competitive and create synergies in sales and distribution, the market acceptance of CCMG products and Chinese medicine treatment, the medical insurance coverage of CCMG products and other factors affecting the demand for our CCMG products may therefore have a significant impact on our financial condition and results of operations.

Terms of Distribution or In-licensing Rights with Third-Party Brand Owners

Sales of third-party brand products accounted for 21.0%, 24.9%, 28.1% and 27.6% of our revenue for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively. These third-party brand products covered 11 out of the 20 principal brands carried by us as at March 31, 2020, and we intend to continue to source and introduce new third-party brand products to further expand our product portfolio and grow our business. The terms and conditions of each of our collaboration with third-party brand owners are negotiated on a case-by-case basis. While we generally seek to obtain exclusive distribution rights from a third-party brand owner by entering into a distributorship or in-licensing agreement with the brand owner, the terms of collaboration may vary depending on the practice of the brand owner and bargaining power of the parties. Our revenue and profit from a particular third-party brand product will be affected by the terms and conditions of the relevant agreement, such as its duration, exclusivity of the distribution rights, size of authorized distribution territories and requirement to make any upfront payment or licensing fee, the sufficiency of the margin of the product, the level of support, flexibility and control we have over brand management, and the amount of selling and marketing expenses required to acquire sufficient market awareness and customer loyalty for the product. Our ability to renew existing distribution or in-licensing rights from principal third-party brand owners on comparable or better commercial terms and our ability to source new third-party brand products on favorable terms will therefore have a significant impact on our business and our results of operations.

Effectiveness of Brand Management and Sales and Distribution Network

The development of our branded healthcare business is supported by our brand management capability and sales and distribution network. We manage our growing portfolio of third-party brands and own brands with tailored brand management and marketing strategies to continually drive product awareness, brand engagement and market standing through our multi-channel marketing campaigns. Meanwhile, our ability to commercialize on such consumer interests in our products may be impacted by the breadth and depth of our sales and distribution network. We have established an extensive sales and distribution network in Hong Kong, with a geographical reach spanning over China, Macau, Taiwan and select countries in Southeast Asia, Europe, North America and the Caribbean Islands. We intend to further expand our network by (i) developing PRC cross-border e-commerce channel for our select branded healthcare products, (ii) collaborating with the PRC JV Partner, a renowned PRC state-owned conglomerate, for the distribution of our Po Chai Pills (under the trade name and packaging of Puji Pills) in China, and (iii) developing into a branded healthcare product sourcing and distribution platform in Asia. Resources and costs will be incurred for the implementation of such strategies, such as increased expenses on expanding overseas sales and distribution networks. Our ability to effectively manage our brands and sales and distribution network may impact our financial condition and results of operations.

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Cost of Materials

Our cost of materials mainly consists of the cost of finished goods from purchases of third-party brand products and certain own brand products produced by third-party manufacturers (including the Jacobson Connected Persons) and the cost of raw materials and packaging materials used in the manufacturing of our own brand products. For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, cost of materials accounted for 48.1%, 55.9%, 68.0% and 70.1% of our cost of sales, respectively. While the cost of goods from third-party brand owners and third-party manufacturers are contractually set, our cost of materials may be impacted by the availability and prices of raw materials and packaging materials required for the manufacturing of our products, which are subject to factors such as general market conditions, weather conditions and the occurrence of natural disasters, many of which are beyond our control. Any changes in the pricing terms of our agreements with third-party brand owners or third-party manufacturers upon expiration of the current term, or changes in the prices for raw materials and packaging materials, may affect our cost of materials and hence our results of operations and profitability. For further details on the sensitivity analysis of our cost of materials, see the section headed “— Principal Consolidated Statements of Profit or Loss and Other Comprehensive Income Items — Cost of Sales” below.

Quality of Our Products

We place great emphasis on product quality and adhere to stringent quality assurance and control measures, as we believe the safety and quality of a product play important roles in consumers’ purchasing decisions. During the Track Record Period, we had two voluntary product recall incidents involving our then associates and one of our subsidiaries as described in the section headed “Business — Sales and Distribution — Product Returns, Recalls and Warranties.” The above incidents did not have any significant negative impact on our business and operation. Save for these two incidents, during the Track Record Period, there were no material product returns or product recalls from our direct customers and we had not experienced any material complaint or product liability or other legal claims from our customers due to problems with the quality of our products. However, we may need to recall our products from the market in the event of any actual or alleged quality issues in our products, which may be a result of our failure to maintain an effective quality assurance and control system, negative publicity or adverse associations with our products or otherwise. Our brand reputation and ability to promote other products may be impacted by a product recall incident, which may in turn affect our financial condition and results of operations.

Regulatory Changes

We operate in a highly regulated industry. For our manufacturing operations, we have GMP-accredited manufacturing facilities for proprietary Chinese medicines and a PIC/S GMP-accredited manufacturing facility for branded medicines in Hong Kong. We are required to comply with the respective standards, which contain minimum requirements for quality controls used in manufacturing, processing and packaging, when producing the relevant products. Furthermore, product registration is generally required for our branded medicines and proprietary Chinese medicines before they can be sold and supplied in Hong Kong, China and other select overseas markets. We have a dedicated team that closely monitors applicable regulatory regimes to ensure the successful and timely registration of our products in various countries and the continuous compliance with relevant product registration and product license requirements. Any regulatory changes may require us to upgrade our facilities and modify our manufacturing process, resulting in increases in compliance costs, or cause us to fail to renew our product licenses in a timely manner, or at all, which may in turn affect our financial condition and results of operations.

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COVID-19 Outbreak

Financial Impact

The COVID-19 outbreak has in general weakened consumer sentiment and adversely impacted retail spending in Hong Kong, as local economic activities and the number of visitors declined as a result of various social distancing measures and travel restrictions implemented from time to time.

The COVID-19 outbreak has had a negative impact on various aspects of our business performance:

- *During the first quarter of 2020:* We recorded higher sales and net profit for the year ended March 31, 2020 as compared to the year ended March 31, 2019 (both before and after taking into account the consolidation of HK\$70.9 million revenue from the Orizen Group for the year ended March 31, 2020) primarily due to an increase of HK\$19.1 million sales of personal hygiene products in response to the surge in demand driven by the COVID-19 outbreak. Nevertheless, the negative impact of the COVID-19 outbreak on retail spending in Hong Kong has negatively affected the sales of many of our branded healthcare products. In particular, sales of our products targeted primarily for Hong Kong retail market (namely excluding any ex-Hong Kong sales, sales of CCMG products which are targeted for Chinese medicine practitioners, and the relatively limited sales to hospitals and clinics in Hong Kong) have decreased by nearly 19% from the year ended March 31, 2019 to the year ended March 31, 2020.
- *During the four months ended July 31, 2020:* Our business and results of operations have continued to be moderately affected by the COVID-19 situation in Hong Kong. As a result, our average monthly sales during the period from April to July 2020 have decreased relative to the year ended March 31, 2020 on a monthly average basis. Nonetheless, we recorded higher sales and net profit for the four months ended July 31, 2020 as compared to the corresponding period in 2019 (both before and after taking into account the consolidation of HK\$33.7 million revenue from the Orizen Group in the four months ended July 31, 2020) and benefited from wage subsidies of HK\$3.4 million under the Hong Kong government's employment support scheme of the anti-epidemic fund. In particular, we (i) recorded an increase in Po Chai Pills sales of HK\$16.4 million during the four months ended July 31, 2020 as compared to the corresponding period in 2019 as we adjusted our sales promotion practices while the COVID-19 situation continued; and (ii) generated HK\$13.5 million revenue from sales of personal hygiene products in the four months ended July 31, 2020.

We expect our business and results of operations will be further negatively affected by the COVID-19 outbreak. For further details of the financial impact of COVID-19 subsequent to the Track Record Period, see the section headed “— Recent Developments — Sales Performance” below.

Operational Impact

Operationally, we have implemented various measures to reduce the impact of the COVID-19 outbreak on our business. For example, precautionary measures have been taken to maintain a hygienic working environment, such as providing adequate supply of masks and antiseptic hand rubs to our staff, implementing health screening procedures for all entrants of our premises, performing regular disinfection exercises at our premises, and closely tracked the health status of our staff. While we do not have a work from home policy, we have established clear quarantine policy that requires any staff member that is returning to Hong Kong from a foreign country, lives with someone who is subject to mandatory quarantine at home or lives in a listed building with confirmed case of COVID-19 as published by the Hong Kong government to quarantine for 7 to 14 days. The said policy has been revised from time to time with reference to the COVID-19 situation in Hong Kong. Since the outbreak of COVID-19 in Hong Kong in early 2020 up to the Latest Practicable Date, only one staff had been home quarantined for 14 days (ended in mid-December 2020) as a result of a confirmed case of COVID-19 in her residential building. Our other staff was able to cover for her temporary absence and therefore our business have not been materially impacted by our quarantine policy.

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Up to the Latest Practical Date, we had not experienced and do not expect to experience any disruption to our supply chain and sales and distribution that would have had a material adverse impact on our business operations and financial condition as a result of the COVID-19 outbreak. In addition, we had not experienced any issue with the discharge of our obligations under our existing contracts with third-party brand owners and customers, save as the minimum purchase amounts set by four of our third-party brand owners, which have not led to any financial damage or impact to our relationships with the relevant brand owners. For further details, see the sections headed “Business — Sourcing and Representation of Third-Party Brand Products — Distributorship” and “Business — Sourcing and Representation of Third-Party Brand Products — In-licensing.”

Financial Viability

The extent to which the COVID-19 outbreak will negatively affect our results is uncertain and may change significantly in the future. In the worst case scenario where our production, contract manufacturing and sourcing of third-party brand products are suspended as a result of the COVID-19 outbreak, our Directors estimate that we will be financially viable for approximately 12 months from October 2020, taking into account our cash and bank balances, our available banking facilities and proceeds from the Public Offer, and based on the key assumptions that, among other things, (i) we will sell down all remaining finished goods inventories and recognize the corresponding cost of materials (including finished goods, raw materials and packaging materials) and third-party manufacturing fees, but otherwise will not earn any additional revenue or incur additional cost for purchases of materials or third-party manufacturing fees; (ii) while collection period for trade and other receivables will be extended further on top of our highest historical turnover days to cater for the potential worsening of financial position of our customers, trade and other payables will remain to be settled within a reasonable time frame with reference to the respective historical turnover days; (iii) we will continue to incur operating and administrative expenses (including staff costs and operating leases rentals), but otherwise arrangements will be in place to minimize non-essential expenses to the extent practicable; (iv) all marketing and promotional activities and all associated expenditures will be suspended; (v) all banking facilities standing as of the Latest Practicable Date will continue to be available to us and all payments of interests and repayments of principals will continued to be made by us in accordance with their terms; and (vi) the implementation of our future plans (as set forth in the section headed “Future Plans and Use of Proceeds”) will be delayed until our business resume to normal, and the proceeds from the Public Offer (net of underwriting commissions), other than those allocated for general working capital purposes, will be conserved for application (in accordance with their stated uses set forth in the section headed “Future Plans and Use of Proceeds”) as and when our business resume to normal.

The extent to which the COVID-19 outbreak will affect our results is uncertain and may change significantly in the future. Any further prolonged outbreak of COVID-19 or other communicable disease or epidemic may materially and adversely affect our financial condition and results of operations.

CRITICAL ACCOUNTING POLICIES

The preparation of our historical financial information in conformity with HKFRSs requires us to make judgments, estimates and assumptions that affect the application of our accounting policies and the reported amounts of assets, liabilities, income and expenses on our consolidated financial statements. Our critical accounting policies, including on revenue recognition and other accounting treatments, and the sensitivity of our reported results to changes in judgments, estimates and assumptions are factors to be considered when reviewing our consolidated financial statements. For further information, see Note 2 to our consolidated financial statements included in the Accountants’ Report set forth in Appendix I to this prospectus.

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RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2019 and 2020:

	Year ended March 31,						Four months ended July 31,			
	2018		2019		2020		2019		2020	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
	(unaudited)									
Revenue	264,332	100.0	307,515	100.0	381,542	100.0	68,089	100.0	118,770	100.0
Cost of sales	(118,143)	(44.7)	(137,830)	(44.8)	(191,363)	(50.2)	(35,649)	(52.4)	(60,357)	(50.8)
Gross profit	146,189	55.3	169,685	55.2	190,179	49.8	32,440	47.6	58,413	49.2
Other net income	2,402	0.9	4,240	1.4	8,087	2.1	2,746	4.0	3,937	3.3
Selling and distribution expenses	(57,184)	(21.6)	(62,317)	(20.3)	(89,000)	(23.3)	(21,106)	(31.0)	(30,543)	(25.7)
Administrative and other operating expenses	(37,853)	(14.3)	(45,088)	(14.7)	(50,229)	(13.1)	(12,373)	(18.1)	(13,024)	(11.0)
Listing expenses	-	-	-	-	(7,189)	(1.9)	-	-	(4,323)	(3.6)
Profit from operations . . .	53,554	20.3	66,520	21.6	51,848	13.6	1,707	2.5	14,460	12.2
Finance costs	(1,733)	(0.7)	(1,390)	(0.4)	(845)	(0.2)	(300)	(0.4)	(3,073)	(2.7)
Share of profits less losses of associates	-	-	4,719	1.5	2,963	0.7	3,228	4.7	52	0.1
Profit before taxation . . .	51,821	19.6	69,849	22.7	53,966	14.1	4,635	6.8	11,439	9.6
Income tax	(7,975)	(3.0)	(10,581)	(3.4)	(9,669)	(2.5)	(866)	(1.3)	(2,935)	(2.4)
Profit for the year/period .	43,846	16.6	59,268	19.3	44,297	11.6	3,769	5.5	8,504	7.2
Profit attributable to:										
Equity shareholders of the Company	42,379	16.0	52,459	17.1	41,022	10.7	6,189	9.1	4,279	3.6
Non-controlling interests . .	1,467	0.6	6,809	2.2	3,275	0.9	(2,420)	(3.6)	4,225	3.6
Total profit for the year/period	43,846	16.6	59,268	19.3	44,297	11.6	3,769	5.5	8,504	7.2

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PRINCIPAL CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

Revenue

Revenue is generated from the sales of our branded healthcare products and represents the sales value of goods supplied to customers less returns and sales rebates and is after deduction of any trade discounts. All of our revenue is recognized at a point in time when the customer takes possession of and accepts the products.

Our revenue movements during the Track Record Period were primarily due to the following factors:

- *Fluctuations in sales of Po Chai Pills and Ho Chai Kung Tji Thung San:* During the Track Record Period, Po Chai Pills and Ho Chai Kung Tji Thung San were our two top-selling products and together accounted for 65.7%, 59.3%, 43.4% and 38.4% of our revenue for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively. Therefore, fluctuations in sales of these two products have a significant impact on our overall revenue. In particular, sales of Po Chai Pills decreased by HK\$29.1 million in the year ended March 31, 2020 mainly as a result of the negative impact of the social unrest in the second half of 2019 and the COVID-19 outbreak in 2020. However, we recorded an increase in Po Chai Pills sales of HK\$16.4 million during the four months ended July 31, 2020 as compared to the corresponding period in 2019 as we adjusted our sales promotion practices while COVID-19 continued, whereby we switched from periodic promotional campaigns (which tend to skew our sales volume towards the months of campaign) to the offering of year-round promotions which tend to even out our sales of Po Chai Pills throughout the period.
- *Acquisition of the Orizen Group:* Our acquisition of additional stake and control of the Orizen Group in August 2019, which expanded our product portfolio to include more than 700 single and combo formula CCMG products under two CCMG brands, contributed significantly to our increase in revenue for the year ended March 31, 2020 and the four months ended July 31, 2020. More specifically, the consolidation of revenue from the Orizen Group contributed HK\$70.9 million and HK\$33.7 million, or 18.6% and 28.4%, of our revenue for the year ended March 31, 2020 and the four months ended July 31, 2020, respectively.
- *Portfolio expansion:* The successful launch and commercialization of selected new brands during the Track Record Period also contributed to the growth of our business. More specifically, aside from 2 CCMG brands under the Orizen Group that were added to our brand portfolio as described above, the new brands added to our portfolio during the Track Record Period also included 2 of our 20 principal brands as at March 31, 2020, namely, AIM Atropine (launched in late 2018) and Dr. Freeman (launched in 2020), which together generated HK\$12.4 million, HK\$28.0 million and HK\$12.2 million, or 4.0%, 7.3% and 10.3%, of our revenue for the years ended March 31, 2019 and 2020 and the four months ended July 31, 2020, respectively.

All in all, the new brands added to our portfolio during the Track Record Period contributed HK\$0.6 million, HK\$13.2 million, HK\$116.5 million and HK\$46.9 million, or 0.2%, 4.3%, 30.5% and 39.5%, of our revenue in the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively.

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- COVID-19-driven sales of third-party brand personal hygiene products:* The revenue increases in the year ended March 31, 2020 and the four months ended July 31, 2020 were also supported by certain one-off bulk sales of personal hygiene products (such as face masks) sourced from third parties to cope with demand amid the COVID-19 outbreak. For example, we made one-off sales of personal hygiene products to Ireland and China in response to demand amid the COVID-19 outbreak during these periods. These sales contributed HK\$13.9 million and HK\$6.6 million, or 3.7% and 5.6% to our revenue for the year ended March 31, 2020 and the four months ended July 31, 2020, respectively.

By business segment

Our portfolio of branded healthcare products is divided into two product categories, namely consumer healthcare (consisting of branded medicines and health and wellness products) and proprietary Chinese medicines. We manage these lines of products under three business segments as follows: (i) branded medicines, (ii) health and wellness products, and (iii) proprietary Chinese medicines. The following table sets forth our revenue by business segment for the periods indicated:

	Year ended March 31,						Four months ended July 31,			
	2018		2019		2020		2019		2020	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000 (unaudited)	% of revenue	HK\$'000	% of revenue
Consumer healthcare										
Branded medicines	119,331	45.1	128,833	41.9	142,215	37.3	33,211	48.8	30,824	26.0
Health and wellness products	25,858	9.8	33,427	10.9	55,318	14.5	11,741	17.2	24,041	20.2
	145,189	54.9	162,260	52.8	197,533	51.8	44,952	66.0	54,865	46.2
Proprietary Chinese medicines	119,143	45.1	145,255	47.2	184,009	48.2	23,137	34.0	63,905	53.8
Total	264,332	100.0	307,515	100.0	381,542	100.0	68,089	100.0	118,770	100.0

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By distribution channel

The following table sets forth our revenue, gross profit and gross profit margin by distribution channel for the periods indicated:

	Year ended March 31,						Four months ended July 31,													
	2018			2019			2020			2019			2020							
	Revenue HK\$'000	% of revenue	Gross profit margin %	Revenue HK\$'000	% of revenue	Gross profit margin %	Revenue HK\$'000	% of revenue	Gross profit margin %	Revenue HK\$'000	% of revenue	Gross profit margin %	Revenue HK\$'000	% of revenue	Gross profit margin %					
Direct sales																				
Trading companies	153,614	58.1	87,659	57.1	159,070	51.7	96,283	60.5	156,457	41.0	83,722	53.5	28,652	42.1	14,204	49.6	42,395	35.7	22,765	53.7
Chinese medicine practitioners	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retailers ⁽¹⁾	51,241	19.4	30,193	58.9	49,358	16.1	28,866	58.5	39,085	10.2	24,236	62.0	14,868	21.8	7,541	50.7	9,112	7.7	4,932	45.5
Hospitals and clinics	12,748	4.8	8,418	66.0	27,604	9.0	14,760	53.5	38,169	10.0	20,678	54.2	10,569	15.6	5,490	51.9	14,302	12.0	7,591	53.1
Others ⁽²⁾	10,278	3.9	4,925	47.9	9,333	3.0	4,176	44.7	19,267	5.1	7,450	38.7	3,763	5.5	1,346	35.8	5,298	4.5	2,139	40.4
	227,881	86.2	131,195	57.6	245,365	79.8	144,085	58.7	323,265	84.7	167,003	51.7	57,852	85.0	28,581	49.4	104,242	87.8	52,519	50.4
Distributors and wholesalers	36,451	13.8	14,994	41.1	62,150	20.2	25,600	41.2	58,277	15.3	23,176	39.8	10,237	15.0	3,859	37.7	14,528	12.2	5,894	40.6
Total	264,332	100.0	146,189	55.3	307,515	100.0	169,685	55.2	381,542	100.0	190,179	49.8	68,089	100.0	32,440	47.6	118,770	100.0	58,413	49.2

Notes:

- (1) Include major modern trade chain stores, registered pharmacies and drug stores.
- (2) Include corporate clients, non-profit organizations, end consumers (through e-commerce platforms) and the Jacobson Connected Persons.

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We adopt a hybrid of sales and distribution models tailored for different products and geographic markets. We sell a majority of our products directly to corporate customers in Hong Kong, and engage a relatively limited number of distributors and wholesalers for the distribution of selected products in Hong Kong, China and overseas, who then on-sell our products to their downstream customers.

During the Track Record Period, the majority of our revenue was generated from direct sales, representing 86.2%, 79.8%, 84.7% and 87.8% of our revenue for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively. In particular, we expanded our product coverage to include CCMG products in the year ended March 31, 2020, which are sold directly to Chinese medicine practitioners, following our acquisition of the Orizen Group. Our sales of CCMG products generated HK\$70.9 million and HK\$33.7 million, or 18.6% and 28.4%, of our revenue for the year ended March 31, 2020 and the four months ended July 31, 2020, respectively. Furthermore, sales to trading companies increased by HK\$13.7 million from HK\$28.7 million for the four months ended July 31, 2019 to HK\$42.4 million for the corresponding period in 2020, mainly contributed by (i) one-off sales of personal hygiene products (such as face masks) to Ireland in response to demand amid the COVID-19 outbreak; and (ii) an increase in sales to our Hong Kong Distributor of selected products not governed under our distribution agreements as part of our collaboration with them for distribution via cross-border e-commerce channels at their online stores as described under the section headed “Business — Sales and Distribution — China — Cross-border e-commerce.”

We recorded a higher gross profit margin for direct sales as compared to distributors and wholesalers during the Track Record Period, as we priced our products to distributors and wholesalers with a lower margin taking into consideration their intermediary position in the supply chain. The decline in gross profit margin of direct sales since the year ended March 31, 2020 was mainly attributable to a shift in product mix towards products with relatively lower gross profit margins, such as personal hygiene products that were in high demand amid the COVID-19 outbreak.

By geographic location

The following table sets forth our revenue by geographic location of our revenue from external customers, based on the location at which the goods are distributed to the ultimate customers for the periods indicated:

	Year ended March 31,						Four months ended July 31,			
	2018		2019		2020		2019		2020	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
	(unaudited)									
Hong Kong ⁽¹⁾	214,398	81.1	233,586	76.0	285,589	74.9	53,916	79.2	104,110	87.7
China and Macau	32,499	12.3	43,621	14.2	64,350	16.9	5,235	7.7	4,359	3.7
Others	17,435	6.6	30,308	9.8	31,603	8.2	8,938	13.1	10,301	8.6
Total	264,332	100.0	307,515	100.0	381,542	100.0	68,089	100.0	118,770	100.0

Note:

(1) Includes sales to our Hong Kong Distributor for its on-sale to China through cross-border e-commerce channel.

Our product footprint expanded geographically during the Track Record Period. The majority of our revenue was generated from Hong Kong, where our operations are based, which represented 81.1%, 76.0%, 74.9% and 87.7% of our revenue for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively.

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While we expect Hong Kong to continue to represent a substantial majority of our revenue in the future, we intend to deepen our product penetration in China through the implementation of our cross-border e-commerce initiatives and the development of our sourcing and distribution platform in Asia. Our revenue generated from China and Macau increased by 98.0% from HK\$32.5 million for the year ended March 31, 2018 to HK\$64.4 million for the year ended March 31, 2020. This increase was primarily due to an increase in sales of Flying Eagle Woodlok Oil in China and increases in sales of AIM Atropine 0.01% Eye Drops, Ho Chai Kung Tji Thung San and Po Chai Pills in Macau. Our revenue generated from China and Macau decreased by 16.7% from HK\$5.2 million for the four months ended July 31, 2019 to HK\$4.4 million for the corresponding period in 2020, which we believe was mainly a result of the negative impact of the COVID-19 outbreak. For other overseas markets, we were able to establish rapport with local wholesalers in the Caribbean Islands during the year ended March 31, 2019. As a result, we recorded significantly higher sales of Shiling Oil in the years ended March 31, 2019 and 2020 as compared to the year ended March 31, 2018.

By brand ownership

The following table sets forth our revenue by brand ownership for the periods indicated:

	Year ended March 31,						Four months ended July 31,			
	2018		2019		2020		2019		2020	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
Third-party brand products.	55,585	21.0	76,668	24.9	107,368	28.1	26,507	39.0	32,760	27.6
Own brand products										
Self-manufactured	205,314	77.7	226,244	73.6	203,678	53.4	39,863	58.6	48,601	40.9
Produced by third-party manufacturers	3,433	1.3	4,603	1.5	70,496	18.5	1,719	2.4	37,409	31.5
	<u>208,747</u>	<u>79.0</u>	<u>230,847</u>	<u>75.1</u>	<u>274,174</u>	<u>71.9</u>	<u>41,582</u>	<u>61.0</u>	<u>86,010</u>	<u>72.4</u>
Total	<u>264,332</u>	<u>100.0</u>	<u>307,515</u>	<u>100.0</u>	<u>381,542</u>	<u>100.0</u>	<u>68,089</u>	<u>100.0</u>	<u>118,770</u>	<u>100.0</u>

Our own brand products accounted for a majority of our revenue during the Track Record Period, representing 79.0%, 75.1%, 71.9% and 72.4% of our revenue for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively. Our own brand products produced by third-party manufacturers increased by HK\$65.9 million from HK\$4.6 million for the year ended March 31, 2019 to HK\$70.5 million for the year ended March 31, 2020, and by HK\$35.7 million from HK\$1.7 million for the four months ended July 31, 2019 to HK\$37.4 million for the corresponding period in 2020. This is because since the year ended March 31, 2020, our product coverage was expanded to include our own brand CCMG products, which are produced by GMP-accredited manufacturers on a third-party manufacturing basis. Apart from that, most of our own brand products are self-manufactured.

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By product

The following table sets forth our revenue from our five top-selling products for the periods indicated:

	Year ended March 31,						Four months ended July 31,			
	2018		2019		2020		2019		2020	
	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Po Chai Pills.	92,701	35.1	106,531	34.7	77,443	20.3	12,160	17.8	28,564	24.0
Ho Chai Kung Tji Thung San.	80,933	30.6	75,593	24.6	88,112	23.1	15,300	22.5	17,148	14.4
Dr. Freeman Antiseptic Hand Rubs ⁽¹⁾⁽²⁾	–	–	–	–	*	*	–	–	6,813	5.7
AIM Atropine 0.01% Eye Drops ⁽³⁾	–	–	11,976	3.9	19,748	5.2	4,381	6.4	4,516	3.9
Contractubex	23,754	9.0	24,717	8.0	15,767	4.1	7,124	10.5	3,954	3.4
Oncotype DX Breast Recurrence Score [®] Assay ⁽²⁾	6,019	2.3	*	*	13,372	3.5	*	*	*	*
Shiling Oil ⁽²⁾	*	*	*	*	*	*	4,600	6.8	*	*
Flying Eagle Woodlok Oil ⁽²⁾	*	*	12,406	4.0	*	*	*	*	*	*
Ho Chai Kung Analgesic Tab ⁽²⁾	5,376	2.0	*	*	*	*	*	*	*	*
	208,783	79.0	231,223	75.2	214,442	56.2	43,565	64.0	60,995	51.4
Others	55,549	21.0	76,292	24.8	167,100	43.8	24,524	36.0	57,775	48.6
Total	264,332	100.0	307,515	100.0	381,542	100.0	68,089	100.0	118,770	100.0

Notes:

- (1) We launched Dr. Freeman Antiseptic Hand Rubs in February 2020.
- (2) Products that were not among the five top-selling products for the period indicated are denoted with an asterisk (*).
- (3) We launched AIM Atropine 0.01% Eye Drops in September 2018.

In each of the periods during the Track Record Period, Po Chai Pills and Ho Chai Kung Tji Thung San were our two top-selling products and together accounted for a substantial portion of our revenue. The decrease in sales of Ho Chai Kung Tji Thung San in the year ended March 31, 2019 was mainly a result of a sporadic one-off high purchase order in the year ended March 31, 2018 by a Hong Kong-based trading company customer principally engaged in the drug wholesale business, which had no prior business relationship with us before. The one-off order was initiated as a pilot campaign to assess the capability of this trading company customer in promoting our Ho Chai Kung branded products, but its overall sales performance was considered unsatisfactory and we had ceased transacting with this trading company customer thereafter. We do not consider the one-off sales, or the cessation of business thereafter with this trading company customer, to have any material impact to our Ho Chai Kung branded product sales with other customers. On the other hand, the decrease in sales of Po Chai Pills in the year ended March 31, 2020 as compared to the corresponding period in 2019 was mainly due to the negative impact of the social unrest in the second half of 2019 and the COVID-19 outbreak in 2020 on retail spending by visitors and local consumers in Hong Kong.

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In addition, sales of Contractubex decreased in the year ended March 31, 2020 and the four months ended July 31, 2020 as compared to the corresponding periods in 2019 mainly as a result of the negative impact of the social unrest in the second half of 2019 and the COVID-19 outbreak in 2020. Particularly for the four months ended July 31, 2020, we offered promotional giveaways to select major modern trade chain stores and lower price points to bulk purchases with the view of countering the weak retail spending sentiment, which helped stabilize our sales volume as compared to the four months ended July 31, 2019 but with a significantly lower average selling price (as illustrated in the next table below), resulting in a drop in sales revenue.

Overall, the revenue contribution of our five top-selling products decreased from 79.0% to 75.2% and further to 56.2% of our revenue for the years ended March 31, 2018, 2019 and 2020, respectively, and decreased from 64.0% to 51.4% of our revenue for the four months ended July 31, 2019 and 2020, respectively. These decreases were due to the expansion of our product portfolio, in particular with the addition of CCMG products during the year ended March 31, 2020.

The following table sets forth the sales volume and average selling price of our five top-selling products for the periods indicated:

	Year ended March 31,						Four months ended July 31,			
	2018		2019		2020		2019		2020	
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
	Units	HK\$ per unit	Units	HK\$ per unit	Units	HK\$ per unit	Units	HK\$ per unit	Units	HK\$ per unit
Po Chai Pills	5,508,331	16.8	5,628,415	18.9	4,664,574	16.6	717,925	16.9	1,612,813	17.7
Ho Chai Kung Tji Thung San	2,484,503	32.6	2,191,790	34.5	2,426,957	36.3	399,550	38.3	481,522	35.6
Dr. Freeman Antiseptic Hand Rubs ⁽¹⁾⁽²⁾	–	–	–	–	*	*	–	–	202,412	33.7
AIM Atropine 0.01% Eye Drops ⁽³⁾	–	–	41,013	292.0	109,172	180.9	27,028	162.3	38,840	116.3
Contractubex	312,888	75.9	319,254	77.4	194,635	81.0	84,604	83.8	86,948	45.5
Oncotype DX Breast Recurrence Score [®] Assay ⁽²⁾	187	32,188.2	*	*	406	32,936.5	*	*	*	*
Shiling Oil ⁽²⁾	*	*	*	*	*	*	59,204	77.7	*	*
Flying Eagle Woodlok Oil ⁽²⁾	*	*	1,334,682	9.3	*	*	*	*	*	*
Ho Chai Kung Analgesic Tab ⁽²⁾	348,876	15.4	*	*	*	*	*	*	*	*

Notes:

- (1) We launched Dr. Freeman Antiseptic Hand Rubs in February 2020.
- (2) Products that were not among the five top-selling products for the period indicated are denoted with an asterisk (*).
- (3) We launched AIM Atropine 0.01% Eye Drops in September 2018.

The sales volume of Ho Chai Kung Tji Thung San in the four months ended July 31, 2019 and 2020, when annualized, was comparably lower than the sales volume for the years ended March 31, 2019 and 2020, partly because our promotional efforts for Ho Chai Kung branded products were more concentrated in the second half of the 2019 and 2020 financial years, which generally resulted in higher sales in the corresponding periods. In terms of average selling prices, (i) the significant decreases in average selling prices of AIM Atropine 0.01% Eye Drops in the year ended March 31, 2020 and the four months ended July 31, 2020 were primarily driven by our joint effort with the third-party brand owner to provide

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substantial quantities of products at a very minimal price point to an academic establishment for their research purposes (the apparent decreasing trend in average selling prices across these two periods were largely driven by the increasing proportion of such special sales to our overall sales quantities of our AIM Atropine 0.01% Eye Drops in the four months ended July 31, 2020), while (ii) the significant decrease in the average selling price of Contractubex products in the four months ended July 31, 2020 was mainly attributable to lower price points given to bulk purchases coupled with promotional giveaways offered to select major modern trade chain stores during the period.

Cost of Sales

Cost of sales consists of direct costs incurred for the manufacturing or sourcing of the goods sold. The following table sets forth the breakdown of our cost of sales for the periods indicated:

	Year ended March 31,						Four months ended July 31,			
	2018		2019		2020		2019		2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Cost of materials										
Finished goods	21,051	17.8	32,862	23.8	95,029	49.7	12,514	35.1	36,587	60.6
Raw materials and packaging materials	35,797	30.3	44,232	32.1	35,059	18.3	3,847	10.8	5,700	9.5
	56,848	48.1	77,094	55.9	130,088	68.0	16,361	45.9	42,287	70.1
Staff costs	28,363	24.0	28,788	20.9	31,105	16.2	9,979	28.0	11,288	18.7
Depreciation and amortization	17,442	14.8	17,673	12.8	15,800	8.3	5,506	15.4	4,842	8.0
Utilities	6,415	5.4	4,355	3.2	3,769	2.0	1,295	3.6	834	1.4
Production consumables	2,240	1.9	2,622	1.9	3,578	1.9	775	2.2	318	0.5
Repairs and maintenance	2,454	2.1	2,604	1.9	2,573	1.3	738	2.1	285	0.5
Others	4,381	3.7	4,694	3.4	4,450	2.3	995	2.8	503	0.8
Total	118,143	100.0	137,830	100.0	191,363	100.0	35,649	100.0	60,357	100.0

Cost of sales incurred during the Track Record Period was primarily composed of cost of materials, accounting for 48.1%, 55.9%, 68.0% and 70.1% of our cost of sales for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively. Cost of materials mainly included (i) cost of finished goods from purchases of third-party brand products and certain own brand products produced by third-party manufacturers (including the Jacobson Connected Persons), and (ii) cost of raw materials and packaging materials used in the manufacturing of our own brand products.

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The following table sets forth the sensitivity of our overall gross profit and gross profit margin for the year ended March 31, 2020, for illustrative purposes only, based on the extent of fluctuation in cost of materials during the Track Record Period with regard to certain possible changes in cost of materials during the same year, assuming all other variables remain constant:

	Year ended March 31, 2020		
	Change in gross profit	Change in gross profit margin	Gross profit margin
	HK\$'000	%	%
Percentage change in cost of materials			
-10%	13,009	3.5	53.3
-8%	10,407	2.8	52.6
-6%	7,805	2.1	51.9
-4%	5,204	1.4	51.2
-2%	2,602	0.7	50.5
0%	-	-	49.8
2%	(2,602)	(0.6)	49.2
4%	(5,204)	(1.3)	48.5
6%	(7,805)	(2.0)	47.8
8%	(10,407)	(2.7)	47.1
10%	(13,009)	(3.4)	46.4

Gross Profit and Gross Profit Margin

The following table sets forth the breakdown of our gross profit and gross profit margin by business segment for the periods indicated:

	Year ended March 31,						Four months ended July 31,			
	2018		2019		2020		2019		2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Consumer healthcare										
Branded medicines	86,889	72.8	92,741	72.0	100,543	70.7	22,805	68.7	19,438	63.1
Health and wellness products	14,180	54.8	14,358	43.0	22,419	40.5	5,246	44.7	9,500	39.5
	101,069	69.6	107,099	66.0	122,962	62.2	28,051	62.4	28,938	52.7
Proprietary Chinese medicines	45,120	37.9	62,586	43.1	67,217	36.5	4,389	19.0	29,475	46.1
Total	146,189	55.3	169,685	55.2	190,179	49.8	32,440	47.6	58,413	49.2

Our overall gross profit margin was 55.3%, 55.2%, 49.8% and 49.2% for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively. During the Track Record Period, we recorded a higher gross profit margin for branded medicines as compared to health and wellness products and proprietary Chinese medicines, as we priced certain branded medicines with a higher margin taking into consideration their comparably strong brand positions. The notably low gross profit margin for proprietary Chinese medicines in the four months ended July 31, 2019 was mainly attributable to a decrease in sales and production of Po Chai Pills, which resulted in a higher per unit manufacturing overheads.

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Other Net Income

Other net income comprises income other than revenue recognized by us in the ordinary course of our business. The following table sets forth the breakdown of our other net income for the periods indicated:

	Year ended March 31,						Four months ended July 31,			
	2018		2019		2020		2019		2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Commission income	948	39.5	1,366	32.2	1,346	16.6	548	20.0	364	9.2
Interest income from a fellow subsidiary	1,148	47.8	2,269	53.5	5,754	71.2	1,918	69.8	-	-
Interest income from bank deposit	-	-	23	0.5	138	1.7	12	0.4	94	2.5
Government grants	-	-	-	-	-	-	-	-	3,374	85.7
Net foreign exchange (loss)/gain	(38)	(1.6)	(77)	(1.8)	139	1.7	85	3.1	(73)	(1.9)
Net gain/(loss) on disposals of property, plant and equipment	57	2.4	-	-	(235)	(2.9)	(33)	(1.2)	(172)	(4.4)
Others	287	11.9	659	15.6	945	11.7	216	7.9	350	8.9
Total	2,402	100.0	4,240	100.0	8,087	100.0	2,746	100.0	3,937	100.0

During the Track Record Period, our other net income was primarily contributed by (i) government grants from the Hong Kong government's anti-epidemic fund which we recognized in the four months ended July 31, 2020; (ii) commission income from logistics services which we provided to certain third-party brand owners for products not carried by us; and (iii) interest income from a fellow subsidiary for advances we made to a fellow subsidiary in accordance with the Jacobson Pharma Group's centralized treasury management policies, which we have discontinued following completion of the Reorganization. For further details, see the section headed "— Related Party Transactions" below.

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Selling and Distribution Expenses

Selling and distribution expenses consist of expenses incurred in connection with the marketing, sales and distribution of our products and brands. The following table sets forth the breakdown of our selling and distribution expenses for the periods indicated:

	Year ended March 31,						Four months ended July 31,			
	2018		2019		2020		2019		2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Advertising and promotion cost	32,470	56.8	32,575	52.3	31,833	35.8	7,698	36.5	8,087	26.5
Staff costs	10,328	18.1	12,659	20.3	22,746	25.6	5,704	27.0	7,913	25.9
Depreciation and amortization	8,256	14.4	8,890	14.3	13,137	14.8	3,163	15.0	6,543	21.4
Distribution cost	4,262	7.5	5,886	9.4	12,133	13.6	2,167	10.3	4,795	15.7
Traveling expenses	479	0.8	335	0.6	481	0.5	266	1.3	70	0.2
Utilities	251	0.4	331	0.5	232	0.3	86	0.3	69	0.3
Others	1,138	2.0	1,641	2.6	8,438	9.4	2,022	9.6	3,066	10.0
Total	57,184	100.0	62,317	100.0	89,000	100.0	21,106	100.0	30,543	100.0

During the Track Record Period, advertising and promotion cost was the largest component of our selling and distribution expenses and mainly represented the expenses and fees related to advertisements placed on various media platforms to promote our products. Our advertising and promotion spending remained relatively stable at HK\$32.5 million, HK\$32.6 million, HK\$31.8 million, HK\$7.7 million and HK\$8.1 million for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2019 and 2020, respectively.

Staff costs were another significant component of our selling and distribution expenses and mainly represented salaries, commission and benefits payable to our sales and marketing and logistics and warehouse personnel. Staff costs remained stable in each of the two year ended March 31, 2018 and 2019, but increased notably for the year ended March 31, 2020 and for the four months ended July 31, 2020 as compared to the corresponding period in 2019, mainly as a result of (i) the integration of the sales and distribution staff of the Orizen Group from the consolidation of its results since August 2019, and (ii) an increase in our sales and distribution staff in the year ended March 31, 2020 to support our marketing and branding initiatives.

Other notable components of selling and distribution expenses included depreciation and amortization, which primarily represented amortization of intangible assets, as further described in the section headed “— Intangible Assets” below, and distribution cost, which mainly related to logistics and distribution expenses for our products, as well as other miscellaneous expenses (such as consultancy, licensing and registration fees).

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Administrative and Other Operating Expenses

Administrative and other operating expenses are composed of expenses incurred in connection with the administration, operation and management of our business. The following table sets forth the breakdown of our administrative and other operating expenses for the periods indicated:

	Year ended March 31,						Four months ended July 31,			
	2018		2019		2020		2019		2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Staff costs	7,038	18.6	6,939	15.4	10,131	20.2	2,679	21.7	5,974	45.9
Depreciation and amortization	4,122	10.9	3,117	6.9	6,925	13.8	1,277	10.3	2,673	20.5
Legal and professional fees	2,831	7.5	2,675	5.9	7,193	14.3	1,118	9.0	2,510	19.3
Research and development	9	0.1	235	0.5	–	–	–	–	–	–
Management fee	20,510	54.1	24,921	55.3	18,982	37.8	5,521	44.6	–	–
Utilities	302	0.8	312	0.7	350	0.7	100	0.8	107	0.8
Impairment losses on trade receivables	–	–	2,600	5.8	–	–	–	–	–	–
Others	3,041	8.0	4,289	9.5	6,648	13.2	1,678	13.6	1,760	13.5
Total	37,853	100.0	45,088	100.0	50,229	100.0	12,373	100.0	13,024	100.0

During the Track Record Period, administrative and other operating expenses were primarily attributable to (i) staff costs, which mainly represented the salaries and benefits payable to our operations, procurement, general management, finance and human resources and other general administrative staff, (ii) depreciation and amortization, which mainly comprised the depreciation of buildings, furniture, fixture and office equipment, machinery and equipment, leasehold land, leasehold improvements and motor vehicles, and (iii) legal and professional fees, mainly relating to corporate advisory and our investments and acquisitions. Management fee, which represented primarily fees to a fellow subsidiary for the attributed costs of shared administrative management resources among the Jacobson Pharma Group, was another notable component of our administrative and other operating expenses. We ceased to incur such management fee since April 2020 following the completion of the physical segregation of the relevant costs and expenses relating to us and started to record them directly under the relevant cost items for the purpose of the Listing. For further details, see the section headed “— Related Party Transactions — Management Fee to A Fellow Subsidiary” below. In the year ended March 31, 2019, we incurred an impairment loss on trade receivables of HK\$2.6 million for a trading company customer with significant doubt on collection that was individually impaired, and we have ceased to do business with this customer.

Listing Expenses

Listing expenses consist of expenses incurred by us in relation to the Spin-off. These expenses mainly included professional fees to the legal advisors, reporting accountants and other professional parties and sponsor’s fee for their services rendered in relation to the Spin-off during the Track Record Period. During the Track Record Period, we incurred listing expenses in the amount of HK\$11.9 million, of which HK\$11.5 million was recognized in the consolidated statements of profit or loss and other comprehensive income, and HK\$0.4 million was capitalized as deferred expenses in the consolidated statements of financial position as of July 31, 2020 to be recognized as a reduction in equity. We expect to incur underwriting commissions and additional listing expenses of approximately HK\$31.1 million in the year ending March 31, 2021, of which approximately HK\$27.2 million is expected to be recognized in our consolidated statements of profit or loss and other comprehensive income and approximately HK\$3.9 million is expected to be charged against equity upon the Listing. The listing expenses above are the latest practicable estimate for reference only and the actual amount may differ from the estimate. We expect that our net profit for the year ending March 31, 2021 will be significantly impacted by these one-off listing expenses.

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Finance Costs

Finance costs consist of interest expense on borrowings and interest on lease liabilities. The following table sets forth the breakdown of our finance costs for the periods indicated:

	Year ended March 31,						Four months ended July 31,			
	2018		2019		2020		2019		2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Interest on bank loans	753	43.5	426	30.6	45	5.3	45	15.0	-	-
Interest expense on amount due to a fellow subsidiary	230	13.3	389	28.0	305	36.1	103	34.3	-	-
Interest expense on the amount due to the immediate holding company	-	-	-	-	-	-	-	-	2,933	95.4
Interest on lease liabilities to										
Third parties	292	16.8	293	21.1	292	34.6	75	25.0	102	3.3
A fellow subsidiary	458	26.4	282	20.3	203	24.0	77	25.7	38	1.3
	<u>750</u>	<u>43.2</u>	<u>575</u>	<u>41.4</u>	<u>495</u>	<u>58.6</u>	<u>152</u>	<u>50.7</u>	<u>140</u>	<u>4.6</u>
Total	<u>1,733</u>	<u>100.0</u>	<u>1,390</u>	<u>100.0</u>	<u>845</u>	<u>100.0</u>	<u>300</u>	<u>100.0</u>	<u>3,073</u>	<u>100.0</u>

Share of Profits Less Losses of Associates

Share of profits less losses of associates was nil, HK\$4.7 million, HK\$3.0 million and HK\$0.1 million for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively, which represented the share of profits from the Orizen Group and another associate in the healthcare business. During the year ended March 31, 2019, we acquired 45% of the issued shares of Orizen on July 11, 2018, as a result of which the Orizen Group became our associates. During the year ended March 31, 2020, we further acquired an additional 43% of the total issued shares of Orizen, as a result of which the Orizen Group ceased to be our associates and became our 88%-owned subsidiaries upon the completion of the acquisition on August 6, 2019.

Income Tax Expenses

Income tax expenses consist of the current income tax and deferred income tax. The following table sets forth the breakdown of our income tax expenses for the periods indicated:

	Year ended March 31,			Four months ended July 31,	
	2018	2019	2020	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)				
Current tax	8,944	12,494	13,326	1,615	4,685
Deferred tax	(969)	(1,913)	(3,657)	(749)	(1,750)
Total	<u>7,975</u>	<u>10,581</u>	<u>9,669</u>	<u>866</u>	<u>2,935</u>

Pursuant to the tax rules and regulations of the Cayman Islands and the British Virgin Islands, none of our Company or our subsidiaries are subject to any income tax in the Cayman Islands or the British Virgin Islands. We were subject to Hong Kong profits tax at 16.5% and Singapore corporate tax at 17% of the estimated assessable profits for the year during the Track Record Period. We were not subject to PRC tax as our PRC subsidiary had minimal operations and sustained a loss during the Track Record Period.

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Our effective tax rates for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020 were 15.4%, 15.1%, 17.9% and 25.7%, respectively.

During the Track Record Period and up to the Latest Practicable Date, we paid all relevant taxes that were due and applicable to us and had no disputes or unresolved tax issues with relevant tax authorities.

Non-controlling Interests

Non-controlling interests for the two years ended March 31, 2018 and 2019 and the four months ended July 31, 2019 (unaudited) mainly represented minority interests of LCST (Holdings) (our Po Chai Pills business). As a result of our acquisition of additional stake and control of the Orizen Group in August 2019 and the consolidation of its results thereafter, non-controlling interests for the year ended March 31, 2020 and the four months ended July 31, 2020 comprised both minority interests of LCST (Holdings) and the Orizen Group.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Four Months Ended July 31, 2020 Compared to Four Months Ended July 31, 2019

Revenue

Revenue increased by 74.4% from HK\$68.1 million for the four months ended July 31, 2019 to HK\$118.8 million for the four months ended July 31, 2020. This increase was attributable to increases in revenue generated from our sales of (i) proprietary Chinese medicines by HK\$40.8 million and (ii) health and wellness products by HK\$12.3 million, partially offset by a decrease in revenue generated from our sales of branded medicines by HK\$2.4 million.

Branded medicines

Revenue generated from sales of branded medicines decreased by 7.2% from HK\$33.2 million for the four months ended July 31, 2019 to HK\$30.8 million for the four months ended July 31, 2020. This decrease was primarily due to a decrease in revenue of HK\$3.2 million from sales of Contractubex, which was mainly a result of a decrease in average selling price primarily attributable to lower price points given to bulk purchases coupled with promotional giveaways offered to select major modern trade chain stores during the period, partially offset by an increase in revenue of HK\$1.8 million from sales of Ho Chai Kung Tji Thung San, which was mainly a result of an increase in sales volume following the launch of new marketing activities.

Health and wellness products

Revenue generated from sales of health and wellness products increased by HK\$12.3 million from HK\$11.7 million for the four months ended July 31, 2019 to HK\$24.0 million for the four months ended July 31, 2020, which was primarily due to an increase in revenue of HK\$13.5 million from sales of personal hygiene products such as face masks and antiseptic hand rubs, which we attributed mainly to the COVID-19 outbreak, partially offset by (i) a decrease in revenue of HK\$1.3 million from sales of BITE-X attributable to a decrease in sales volume, which we believe was mainly as a result of the negative impact of the COVID-19 outbreak in 2020 on retail spending by visitors in Hong Kong, and (ii) a decrease in revenue of HK\$1.2 million of Oncotype DX Breast Recurrence Score[®], which we attributed mainly to the postponement of elective procedures by hospitals in light of the COVID-19 outbreak.

Proprietary Chinese medicines

Revenue generated from sales of proprietary Chinese medicines increased by HK\$40.8 million from HK\$23.1 million for the four months ended July 31, 2019 to HK\$63.9 million for the four months ended July 31, 2020. This increase was primarily due to (i) the consolidation of revenue of HK\$33.7 million from sales of CCMG products under the Orizen Group since our acquisition of a controlling stake in the Orizen Group in August 2019, and (ii) an increase in revenue of HK\$16.4 million from sales of Po Chai

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Pills, as we adjusted our sales promotion practices from periodic promotional campaigns (which tend to skew our sales volume towards the months of campaign) to the offering of year-round promotions which tend to even out our sales of Po Chai Pills throughout the period.

Cost of sales

Cost of sales increased by 69.3% from HK\$35.6 million for the four months ended July 31, 2019 to HK\$60.4 million for the four months ended July 31, 2020. This increase was primarily due to an increase of HK\$25.9 million in cost of materials, which was mainly attributable to (i) the consolidation of the results of the Orizen Group since August 2019 and the corresponding recognition of costs of CCMG finished goods, and (ii) an increase in purchase costs of Dr. Freeman antiseptic hand rubs produced by the Jacobson Connected Persons.

Gross profit and gross profit margin

As a result of the foregoing, gross profit increased by 80.1% from HK\$32.4 million for the four months ended July 31, 2019 to HK\$58.4 million for the four months ended July 31, 2020. While our overall gross profit margin remained relatively stable across the two periods, the by-segment gross profit margin of both our branded medicines and health and wellness products decreased moderately, but we were compensated by a significant increase in gross profit margin of our proprietary Chinese medicines.

The gross profit margin of branded medicines decreased from 68.7% for the four months ended July 31, 2019 to 63.1% for the four months ended July 31, 2020. This decrease was mainly due to (i) the lower gross profit margin of Ho Chai Kung Tji Thung San for the four months ended July 31, 2020 attributable to a more favorable price point given to a bulk purchase, and (ii) our joint effort with the third-party brand owner to provide substantial quantities of AIM Atropine 0.01% Eye Drops at a very minimal price point to an academic establishment for their research purposes in the four months ended July 31, 2020, which drove down the overall gross profit margin of this product.

The gross profit margin of health and wellness products decreased from 44.7% for the four months ended July 31, 2019 to 39.5% for the four months ended July 31, 2020. This decrease was mainly due to our sales of personal hygiene products amid the COVID-19 outbreak, which had a relatively low gross profit margin.

The gross profit margin of proprietary Chinese medicines increased from 19.0% for the four months ended July 31, 2019 to 46.1% for the four months ended July 31, 2020. The significant increase between the two captioned periods was a combined result of (i) the notably low gross profit margin for the four months ended July 31, 2019 as explained in the section headed “— Principal Consolidated Statements of Profit or Loss and Other Comprehensive Income Items — Gross Profit and Gross Profit Margin” above, as contrasted with (ii) the considerably higher gross profit margin for the four months ended July 31, 2020 achieved through our increased sales of CCMG products and Po Chai Pills as described above.

Other net income

Other net income increased by 43.4% from HK\$2.7 million for the four months ended July 31, 2019 to HK\$3.9 million for the four months ended July 31, 2020. This increase was primarily due to government grants of HK\$3.4 million from the Hong Kong government’s employment support scheme of the anti-epidemic fund, partially offset by a decrease in interest income from a fellow subsidiary of HK\$1.9 million as further described in the section headed “— Related Party Transactions” below.

Selling and distribution expenses

Selling and distribution expenses increased by 44.7% from HK\$21.1 million for the four months ended July 31, 2019 to HK\$30.5 million for the four months ended July 31, 2020. This increase was primarily due to (i) increases of HK\$3.4 million in depreciation and amortization and HK\$2.2 million of staff costs, which were mainly attributable to amortization of customer relationship and an approximately twofold increase in headcount of the relevant staff primarily as a result of the our integration of the

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business of Orizen Group following our acquisition of its controlling stake, and (ii) an increase of HK\$2.6 million in distribution cost, which was mainly a result of an increase in distribution and logistics fees to the Jacobson Connected Persons due to the inclusion of Ho Chai Kung branded products in our logistics arrangement with them in the four months ended July 31, 2020, as further described under the section headed “— Related Party Transactions — Distribution and Logistic Fees to Fellow Subsidiaries” below.

Administrative and other operating expenses

Administrative and other operating expenses remained relatively stable at HK\$13.0 million for the four months ended July 31, 2020 compared to HK\$12.4 million for the four months ended July 31, 2019. Our depreciation and amortization expenses increased by HK\$1.4 million between the two periods concerned, which was mainly attributable to buildings leased by the Orizen Group for own use (recognized as a result of the consolidation of the results of the Orizen Group since August 2019) and additional office spaces leased for our headquarters in preparation of the Spin-off. On the other hand, as a result of the physical segregation on relevant costs and expenses relating to us as part of the Reorganization for the purpose of the Listing, we ceased to incur management fee which were paid to a fellow subsidiary for the attributed costs of shared administrative management resources among the Jacobson Pharma Group, and instead recognized such costs and expenses directly. Consequently, we reported increases of HK\$3.3 million in staff costs and HK\$1.4 million in legal and professional fees (relating to, among other things, corporate advisory, our investment in Smartfish and acquisition of the Orizen Group) for the four months ended July 31, 2020 compared to the same period in 2019, while our management fee reduced from HK\$5.5 million for the four months ended July 31, 2019 to nil for the four months ended July 31, 2020.

Finance costs

Finance costs increased significantly by HK\$2.8 million from HK\$0.3 million for the four months ended July 31, 2019 to HK\$3.1 million for the four months ended July 31, 2020. This increase was mainly due to an increase of HK\$2.9 million in interest expense on the amount due to the immediate holding company as described in the section headed “— Related Party Transactions — Interest Expense on the Amount Due to the Immediate Holding Company” below.

Share of profits less losses of associates

Share of profits less losses of associates decreased by 98.4% from HK\$3.2 million for the four months ended July 31, 2019 to HK\$0.1 million for the four months ended July 31, 2020 primarily because we no longer had any share of profit from the Orizen Group following our acquisition of its controlling stake in August 2019, which results were instead consolidated into our overall results since then.

Income tax expenses

Income tax expenses increased by HK\$2.0 million from HK\$0.9 million for the four months ended July 31, 2019 to HK\$2.9 million for the four months ended July 31, 2020. This increase was primarily due to an increase in profit before taxation. The effective tax rate increased from 18.7% for the four months ended July 31, 2019 to 25.7% for the four months ended July 31, 2020. This increase was primarily due to our non-deductible listing expenses and interest expense on the amount due to the Jacobson Connected Persons.

Profit for the period and net profit margin

As a result of the foregoing, profit for the period increased significantly by HK\$4.7 million from HK\$3.8 million for the four months ended July 31, 2019 to HK\$8.5 million for the four months ended July 31, 2020.

Our net profit margin increased from 5.5% for the four months ended July 31, 2019 to 7.2% for the four months ended July 31, 2020. This increase was mainly due to our higher gross profit margin as described above.

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Year Ended March 31, 2020 Compared to Year Ended March 31, 2019

Revenue

Revenue increased by 24.1% from HK\$307.5 million for the year ended March 31, 2019 to HK\$381.5 million for the year ended March 31, 2020. This increase was attributable to increases in revenue generated from our sales of (i) proprietary Chinese medicines by HK\$38.8 million, (ii) health and wellness products by HK\$21.9 million, and (iii) branded medicines by HK\$13.4 million.

Branded medicines

Revenue generated from sales of branded medicines increased by 10.4% from HK\$128.8 million for the year ended March 31, 2019 to HK\$142.2 million for the year ended March 31, 2020. This increase was primarily due to (i) an increase in revenue of HK\$12.5 million from sales of Ho Chai Kung Tji Thung San, which was mainly a result of increases in both sales volume and average selling price following the launch of new marketing activities, and (ii) an increase in revenue of HK\$7.8 million from sales of AIM Atropine 0.01% Eye Drops, which was mainly a result of increased sales primarily driven by a more competitive pricing we offered to distributors and wholesalers taking into consideration their intermediary position in the supply chain, partially offset by a decrease in revenue of HK\$9.0 million from sales of Contractubex resulting primarily from a decrease in sales to major modern trade chain stores, which we believe was mainly a result of the negative impact of the social unrest in the second half of 2019 and the COVID-19 outbreak in 2020 on retail spending by visitors and local consumers in Hong Kong.

Health and wellness products

Revenue generated from sales of health and wellness products increased by 65.5% from HK\$33.4 million for the year ended March 31, 2019 to HK\$55.3 million for the year ended March 31, 2020, which was primarily due to (i) an increase in revenue of HK\$19.1 million from sales of personal hygiene products such as face masks and antiseptic hand rubs, which we attributed mainly to the COVID-19 outbreak where its demand may have been temporarily driven up by the outbreak at the relevant time, and (ii) an increase in revenue of HK\$3.9 million from sales of Oncotype DX Breast Recurrence Score[®] assay mainly attributable to an increase in sales volume driven by our subsidy program with the Hong Kong Breast Cancer Foundation to provide the test at subsidized rates to clinically eligible and means-tested patients.

Proprietary Chinese medicines

Revenue generated from sales of proprietary Chinese medicines increased by 26.7% from HK\$145.3 million for the year ended March 31, 2019 to HK\$184.0 million for the year ended March 31, 2020. This increase was primarily due to the consolidation of revenue of HK\$70.9 million from sales of CCMG products under the Orizen Group since our acquisition of a controlling stake in the Orizen Group in August 2019. This increase was partially offset by a decrease in revenue of HK\$29.1 million from sales of Po Chai Pills mainly attributable to a decrease in sales to major modern trade chain stores, registered pharmacies and drug stores in Hong Kong, which we believe was mainly a result of the negative impact of the social unrest in the second half of 2019 and the COVID-19 outbreak in 2020 on retail spending by visitors and local consumers in Hong Kong.

Cost of sales

Cost of sales increased by 38.8% from HK\$137.8 million for the year ended March 31, 2019 to HK\$191.4 million for the year ended March 31, 2020. This increase was primarily due to an increase of HK\$53.0 million in cost of materials, which was mainly attributable to the consolidation of the results of the Orizen Group since August 2019 and the corresponding recognition of purchase costs of CCMG products, comprising of finished goods for third-party brand CCMG and own brand CCMG produced by third-party manufacturers.

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Gross profit and gross profit margin

As a result of the foregoing, gross profit increased by 12.1% from HK\$169.7 million for the year ended March 31, 2019 to HK\$190.2 million for the year ended March 31, 2020.

Our overall gross profit margin decreased from 55.2% for the year ended March 31, 2019 to 49.8% for the year ended March 31, 2020. This decrease was primarily due to (i) the lower gross profit margins of all three business segments, in particular proprietary Chinese medicines, for the year ended March 31, 2020 and (ii) a decrease in the revenue contribution of branded medicines, which generally had a higher gross profit margin than the other business segments.

The gross profit margin of branded medicines decreased from 72.0% for the year ended March 31, 2019 to 70.7% for the year ended March 31, 2020. This decrease was mainly due to an increase in sales of AIM Atropine 0.01% Eye Drops, which we generally priced with a lower margin to distributors and wholesalers taking into consideration their intermediary position in the supply chain, coupled with our joint effort with the third-party brand owner to provide substantial quantities of products at a very minimal price point to an academic establishment for their research purposes in the year ended March 31, 2020, which in turn drove down the overall gross profit margin of this product and impacted the overall gross profit of our branded medicines.

The gross profit margin of health and wellness products decreased from 43.0% for the year ended March 31, 2019 to 40.5% for the year ended March 31, 2020. This decrease was mainly due to our sales of face masks amid the COVID-19 outbreak, which had a relatively low gross profit margin.

The gross profit margin of proprietary Chinese medicines decreased from 43.1% for the year ended March 31, 2019 to 36.5% for the year ended March 31, 2020. This decrease was partly due to a decrease in sales of Po Chai Pills as described above, which had a relatively high gross profit margin.

Other net income

Other net income increased by 90.7% from HK\$4.2 million for the year ended March 31, 2019 to HK\$8.1 million for the year ended March 31, 2020. This increase was primarily due to an increase of HK\$3.5 million in interest income from a fellow subsidiary of Jacobson Pharma that mainly carries out the centralized treasury management function of the Jacobson Pharma Group (“**Jacobson Treasury**”). During the year ended March 31, 2020, we advanced larger amounts to Jacobson Treasury for treasury management purposes and the applicable interest rate was also slightly higher. For further details, see the section headed “— Related Party Transactions” below.

Selling and distribution expenses

Selling and distribution expenses increased by 42.8% from HK\$62.3 million for the year ended March 31, 2019 to HK\$89.0 million for the year ended March 31, 2020. This increase was primarily due to (i) increases of HK\$10.1 million in staff costs and HK\$4.2 million in depreciation and amortization expenses, which were mainly attributable to an approximately twofold increase in headcount of the relevant staff (mainly including over 30 sales, logistics and warehouse staff of the Orizen Group) and amortization of customer relationship as we integrated the business of Orizen Group following our acquisition of its controlling stake, (ii) an increase of HK\$6.8 million in other selling and distribution expenses, which was mainly a result of an increase in expenses incurred for the development of our branded healthcare business in China, and (iii) an increase of HK\$6.2 million in distribution cost, which was mainly a result of an increase in distribution and logistics fees to the Jacobson Connected Persons due to the inclusion of Ho Chai Kung branded products in our logistics arrangement with them in the year ended March 31, 2020.

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Administrative and other operating expenses

Administrative and other operating expenses increased by 11.4% from HK\$45.1 million for the year ended March 31, 2019 to HK\$50.2 million for the year ended March 31, 2020. This increase was primarily due to (i) an increase of HK\$3.8 million in depreciation and amortization expenses, which was mainly contributed from the depreciation charges for right-of-use assets primarily related to buildings leased by the Orizen Group for own use that have been consolidated into our results since August 2019, as well as additional office spaces leased for our headquarters in preparation of the Spin-off, (ii) an increase of HK\$3.2 million in staff costs, which was mainly attributable to the integration of the business of Orizen Group (including approximately 10 of their administrative and operating staff), and (iii) an increase of HK\$4.5 million in legal and professional fees primarily relating to corporate advisory, our investment in Smartfish and acquisition of the Orizen Group, partially offset by a decrease of HK\$5.9 million in management fee mainly due to the change in basis of intragroup allocation of certain shared costs in preparation for the Spin-off, as further described in the section headed “— Related Party Transactions” below.

Finance costs

Finance costs decreased by 39.2% from HK\$1.4 million for the year ended March 31, 2019 to HK\$0.8 million for the year ended March 31, 2020. This decrease was mainly due to a decrease of HK\$0.4 million in interest on bank loans primarily attributable to our full repayment in the year ended March 31, 2020.

Share of profits less losses of associates

Share of profits less losses of associates decreased by 37.2% from HK\$4.7 million for the year ended March 31, 2019 to HK\$3.0 million for the year ended March 31, 2020. We recorded this decrease primarily because the Orizen Group, our associates for the year ended March 31, 2019, became our subsidiaries as a result of our acquisition of a controlling stake in Orizen on August 6, 2019.

Income tax expenses

Income tax expenses decreased by 8.6% from HK\$10.6 million for the year ended March 31, 2019 to HK\$9.7 million for the year ended March 31, 2020. This decrease was primarily due to a decrease in profit before taxation. The effective tax rate increased from 15.1% for the year ended March 31, 2019 to 17.9% for the year ended March 31, 2020. This increase was primarily due to our non-deductible listing expenses incurred in the year ended March 31, 2020.

Profit for the year and net profit margin

As a result of the foregoing, profit for the year decreased by 25.3% from HK\$59.3 million for the year ended March 31, 2019 to HK\$44.3 million for the year ended March 31, 2020.

Our net profit margin decreased from 19.3% for the year ended March 31, 2019 to 11.6% for the year ended March 31, 2020. This decrease was mainly due to our lower gross profit margin, coupled with increases in selling and distribution expenses and administrative and other operating expenses, for the year ended March 31, 2020, as described above.

Year Ended March 31, 2019 Compared to Year Ended March 31, 2018

Revenue

Revenue increased by 16.3% from HK\$264.3 million for the year ended March 31, 2018 to HK\$307.5 million for the year ended March 31, 2019. This increase was primarily due to increases in revenue generated from our sales of (i) proprietary Chinese medicines by HK\$26.1 million, (ii) branded medicines by HK\$9.5 million, and (iii) health and wellness products by HK\$7.6 million.

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Branded medicines

Revenue generated from sales of branded medicines increased by 8.0% from HK\$119.3 million for the year ended March 31, 2018 to HK\$128.8 million for the year ended March 31, 2019. This increase was primarily due to an increase in revenue of HK\$12.3 million from sales of AIM Atropine Eye Drops, our new third-party brand products that were launched in September 2018.

Health and wellness products

Revenue generated from sales of health and wellness products increased by 29.3% from HK\$25.9 million for the year ended March 31, 2018 to HK\$33.4 million for the year ended March 31, 2019, which was primarily a result of a general increase in market demand for our health and wellness products. These included, in particular, (i) Oncotype DX Breast Recurrence Score[®] assay, which increased in both sales volume and average selling price, driven by wider market acceptance following the publication of new clinical data reinforcing the ability of Oncotype DX Breast Recurrence Score[®] test to guide chemotherapy treatment, and (ii) BITE-X, which recorded higher sales to major modern trade chain stores in Hong Kong.

Proprietary Chinese medicines

Revenue generated from sales of proprietary Chinese medicines increased by 21.9% from HK\$119.1 million for the year ended March 31, 2018 to HK\$145.3 million for the year ended March 31, 2019. This increase was primarily due to (i) an increase in revenue of HK\$13.8 million from sales of Po Chai Pills, which was mainly a result of an increase in sales volume in Hong Kong mainly due to stronger market demand, and (ii) an increase in revenue of HK\$8.5 million from sales of Flying Eagle Woodlok Oil in China, which was mainly due to the relatively low purchase amount from the then PRC distributor in the year ended March 31, 2018, as it sought to sell out then existing products with our old packaging before placing orders for products with our newly designed packaging.

Cost of sales

Cost of sales increased by 16.7% from HK\$118.1 million for the year ended March 31, 2018 to HK\$137.8 million for the year ended March 31, 2019, which was in line with the increase in revenue as our business expanded.

Gross profit and gross profit margin

As a result of the foregoing, gross profit increased by 16.1% from HK\$146.2 million for the year ended March 31, 2018 to HK\$169.7 million for the year ended March 31, 2019.

Our overall gross profit margin remained stable at 55.3% and 55.2% for the years ended March 31, 2018 and 2019, respectively.

The gross profit margin of branded medicines remained relatively stable between 72.8% for the year ended March 31, 2018 and 72.0% for the year ended March 31, 2019.

The gross profit margin of health and wellness products decreased from 54.8% for the year ended March 31, 2018 to 43.0% for the year ended March 31, 2019. This decrease was mainly due to an increase in sales of Oncotype DX Breast Recurrence Score[®] assay, which had a relatively low gross profit margin.

The gross profit margin of proprietary Chinese medicines increased from 37.9% for the year ended March 31, 2018 to 43.1% for the year ended March 31, 2019. This increase was mainly due to the increased sales of Po Chai Pills, which had a comparatively high gross profit margin among our proprietary Chinese medicines.

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Other net income

Other net income increased by 76.5% from HK\$2.4 million for the year ended March 31, 2018 to HK\$4.2 million for the year ended March 31, 2019. This increase was primarily due to an increase in interest income from a fellow subsidiary of HK\$1.1 million. During the year ended March 31, 2019, we advanced larger amounts to Jacobson Treasury as part of our treasury management and the applicable interest rate was also slightly higher. For further details, see the section headed “— Related Party Transactions” below.

Selling and distribution expenses

Selling and distribution expenses increased moderately by 9.0% from HK\$57.2 million for the year ended March 31, 2018 to HK\$62.3 million for the year ended March 31, 2019, which was in line with the increase in revenue as our business expanded. This increase in selling and distribution expenses was primarily due to (i) an increase of HK\$2.3 million in staff costs, which was mainly attributable to increases in average salaries of the relevant staff, and (ii) an increase of HK\$1.6 million in distribution cost, which was mainly a result of an increase in distribution and logistics fees to the Jacobson Connected Persons due to increased sales volume.

Administrative and other operating expenses

Administrative and other operating expenses increased by 19.1% from HK\$37.9 million for the year ended March 31, 2018 to HK\$45.1 million for the year ended March 31, 2019. This increase was primarily due to (i) an increase of HK\$4.4 million in management fee payable to the Jacobson Connected Persons (as further described in the section headed “— Related Party Transactions” below), which was in line with the increase in our gross profit, and (ii) an impairment loss on trade receivables of HK\$2.6 million for a trading company customer with significant doubt on collection that was individually impaired for the year ended March 31, 2019. The said trading company was one of our proprietary Chinese medicine customers and we have ceased to do business with it.

Finance costs

Finance costs decreased by 19.8% from HK\$1.7 million for the year ended March 31, 2018 to HK\$1.4 million for the year ended March 31, 2019. This decrease was mainly due to a decrease of HK\$0.3 million in interest on bank loans from our partial repayment in the year ended March 31, 2019.

Share of profits less losses of associates

Share of profits less losses of associates increased by HK\$4.7 million from nil for the year ended March 31, 2018 to HK\$4.7 million for the year ended March 31, 2019. This increase was primarily attributable to our share of profits of the Orizen Group, which became our associates as a result of our acquisition of 45% of the issued shares of Orizen on July 11, 2018.

Income tax expenses

Income tax expenses increased by 32.7% from HK\$8.0 million for the year ended March 31, 2018 to HK\$10.6 million for the year ended March 31, 2019. This increase was primarily due to an increase in profit before taxation. The effective tax rate remained stable at 15.4% and 15.1% for the years ended March 31, 2018 and 2019, respectively.

Profit for the year and net profit margin

As a result of the foregoing and our efforts to optimize our selling and distribution initiatives with cost control measures over traditional offline marketing campaigns that resulted in a decrease in selling and distribution expenses as a percentage of revenue, profit for the year increased by 35.2% from HK\$43.8 million for the year ended March 31, 2018 to HK\$59.3 million for the year ended March 31, 2019.

Our net profit margin increased from 16.6% for the year ended March 31, 2018 to 19.3% for the year ended March 31, 2019. This increase was mainly due to an increase in share of profits less losses of associates for the year ended March 31, 2019, and a decrease in selling and distribution expenses as a percentage of our revenue.

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LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The following table sets forth our cash flows for the periods indicated:

	Year ended March 31,			Four months ended July 31,	
	2018	2019	2020	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Net cash generated from operating activities	82,304	56,914	38,285	19,600	27,435
Net cash (used in)/generated from investing activities	(60,318)	(55,897)	43,402	(15,057)	(17,464)
Net cash (used in)/generated from financing activities	(15,135)	(6,699)	(59,320)	(8,770)	92,542
Net increase/(decrease) in cash and cash equivalents	6,851	(5,682)	22,367	(4,227)	102,513
Cash and cash equivalents at the beginning of the year/period	49,875	56,856	50,962	50,962	72,790
Effect of foreign exchange rate changes	130	(212)	(539)	2	418
Cash and cash equivalents at the end of the year/period	56,856	50,962	72,790	46,737	175,721

Operating activities

We had net cash generated from operating activities of HK\$27.4 million for the four months ended July 31, 2020, which was primarily attributable to our profit before taxation of HK\$11.4 million and positive non-cash item adjustment for depreciation and amortization of HK\$14.1 million, partially offset by positive adjustment for changes in working capital of HK\$0.9 million and income tax paid of HK\$2.1 million. These changes in working capital consisted of a decrease in trade and other receivables of HK\$39.2 million, which was mainly due to the partial settlement of the amounts due from the Jacobson Connected Persons in preparation for the Spin-off, partially offset by a decrease in trade and other payables mainly attributable to the partial settlement of the amounts due to the Jacobson Connected Persons in preparation for the Spin-off.

We had net cash generated from operating activities of HK\$38.3 million for the year ended March 31, 2020, which was primarily attributable to our profit before taxation of HK\$54.0 million and positive non-cash item adjustment for depreciation and amortization of HK\$35.9 million, partially offset by negative adjustment for changes in working capital of HK\$26.0 million and income tax paid of HK\$17.8 million. These changes in working capital consisted mainly of an increase in inventories of HK\$21.6 million, which was primarily due to (i) an expansion of our product portfolio with the addition of a wider variety of third-party branded products and (ii) an increase in the inventory level of CCMG products during the year ended March 31, 2020 following our acquisition of a controlling stake in the Orizen Group in August 2019.

We had net cash generated from operating activities of HK\$56.9 million for the year ended March 31, 2019, which was primarily attributable to our profit before taxation of HK\$69.8 million and positive non-cash item adjustment for depreciation and amortization of HK\$29.7 million, partially offset by negative adjustment for changes in working capital of HK\$32.2 million and income tax paid of HK\$7.4 million. These changes in working capital primarily comprised an increase in trade and other receivables of HK\$36.4 million, which was mainly due to an increase in trade receivables resulting from an increase in sales of Ho Chai Kung branded products during the first quarter of 2019 with our increased sales and promotional efforts in late 2018 and early 2019.

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We had net cash generated from operating activities of HK\$82.3 million for the year ended March 31, 2018, which was primarily attributable to our profit before taxation of HK\$51.8 million and positive non-cash item adjustment for depreciation and amortization of HK\$29.8 million and positive adjustment for changes in working capital of HK\$11.8 million, partially offset by income tax paid of HK\$11.7 million. These changes in working capital primarily comprised an increase in trade and other payables and contract liabilities of HK\$10.1 million primarily relating to certain amounts due to the Jacobson Connected Persons for payment of management fee.

Investing activities

We had net cash used in investing activities of HK\$17.5 million for the four months ended July 31, 2020. This net cash used in investing activities was mainly attributable to payment for the remaining balance of in-licensing fee under our 15-year in-licensing agreement with a European brand owner (as described in the section headed “Business — Sourcing and Representation of Third-Party Brand Products — In-licensing”) which was recognized as intangible assets.

We had net cash generated from investing activities of HK\$43.4 million for the year ended March 31, 2020. This net cash generated from investing activities was primarily attributable to a decrease in amounts due from fellow subsidiaries of HK\$42.5 million, which was mainly due to the full settlement of the amount due from Jacobson Treasury as we ceased our treasury management practice with the Jacobson Connected Persons in preparation for the Spin-off.

We had net cash used in investing activities of HK\$55.9 million for the year ended March 31, 2019. This net cash used in investing activities was primarily attributable to (i) an increase in amounts due from fellow subsidiaries of HK\$28.4 million, which was mainly due to an increase in amount due from Jacobson Treasury as part of our treasury management, (ii) payment for acquisition of an associate in the healthcare business of HK\$18.8 million, and (iii) payment for purchase of property, plant and equipment and intangible assets of HK\$9.1 million primarily arising from the upfront fee incurred for the in-licensing arrangement for the Smartfish products and purchases of machinery and equipment for our manufacturing operations.

We had net cash used in investing activities of HK\$60.3 million for the year ended March 31, 2018. This net cash used in investing activities was primarily attributable to an increase in amounts due from fellow subsidiaries of HK\$49.9 million, which was mainly due to an increase in amount due from Jacobson Treasury as part of our treasury management.

For further details of our treasury management practice, see the section headed “— Related Party Transactions” below.

Financing activities

We had net cash generated from financing activities of HK\$92.5 million for the four months ended July 31, 2020, which was primarily attributable to (i) issuance of new shares of HK\$97.0 million as part of the Pre-IPO Investments, and (ii) a decrease in amount due from an intermediate holding company of HK\$11.0 million as a result of the partial settlement of the amounts due from an intermediate holding company in preparation for the Spin-off.

We had net cash used in financing activities of HK\$59.3 million for the year ended March 31, 2020, which was primarily attributable to (i) a decrease in amounts due to fellow subsidiaries of HK\$34.7 million due to settlement of such amounts in preparation for the Spin-off, and (ii) capital and interest elements of lease rentals paid.

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We had net cash used in financing activities of HK\$6.7 million for the year ended March 31, 2019, which was primarily attributable to (i) a decrease in amounts due to an intermediate holding company of HK\$13.6 million as we partially settled the funds advanced mainly for the advertising and promotion of Po Chai Pills in accordance with the designated use of proceeds raised from the initial public offering of Jacobson Pharma, (ii) capital and interest elements of lease rentals paid, and (iii) repayment of bank loans of HK\$8.1 million, partially offset by (i) a decrease in amount due from an intermediate holding company of HK\$12.7 million, which were applied to partially set off the amounts due to an intermediate holding company as described above, and (ii) an increase in amount due to fellow subsidiaries of HK\$11.6 million mainly in connection with cash advanced to us from the Jacobson Connected Persons for our acquisition of an associate in the healthcare business.

We had net cash used in financing activities of HK\$15.1 million for the year ended March 31, 2018, primarily attributable to (i) repayment of bank loans of HK\$13.4 million and (ii) capital and interest elements of lease rentals paid, partially offset by an increase in amounts due to an intermediate holding company of HK\$8.7 million.

We had net cash outflow of HK\$5.7 million in the year ended March 31, 2019, contributed mainly from (i) an increase in amounts due from a fellow subsidiary of Jacobson Pharma as part of our treasury management, (ii) payment for acquisition of an associate in the healthcare business, and (iii) our partial settlement of funds advanced mainly for the advertising and promotion of Po Chai Pills.

Our net cash generated from operating activities exhibited a decreasing trend during the three years ended March 31, 2018, 2019 and 2020 which differed from the trend of our profit for the corresponding years. This decreasing trend in net cash generated from operating activities was partly due to (i) an increase in trade receivables as of March 31, 2019 mainly as a result of the increase in sales of Ho Chai Kung branded products during the first quarter of 2019, and (ii) the longer average receivables turnover of our Ho Chai Kung branded products pursuant to their inclusion in our logistics arrangement with the Jacobson Connected Persons during the year ended March 31, 2020 (which included payment settlement services that has a longer settlement period than our previous arrangement), coupled with an increase in inventories as a result of an expansion of our product portfolio with the addition of a wider variety of third-party brand products and an increase in the inventory level of CCMG products.

CAPITAL EXPENDITURES

During the Track Record Period, capital expenditures comprised expenditures on property, plant and equipment and intangible assets to upgrade our manufacturing facilities and expand our business. The following table sets forth our capital expenditures for the periods indicated:

	Year ended March 31,			Four months ended July 31,	
	2018	2019	2020	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Payment for purchase of property, plant and equipment and intangible assets	10,562	9,135	4,523	1,421	15,928
Payment for acquisition of an associate.....	–	18,817	–	–	–
Net cash inflow from acquisition of subsidiaries....	–	–	(5,260)	–	–
Payment for investment in a joint venture	–	–	–	–	1,668
Total.....	10,562	27,952	(737)	1,421	17,596

Payment for purchase of property, plant and equipment and intangible assets was mainly related to purchases for our manufacturing operations and the distribution of certain third-party brand products.

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Payment for acquisition of an associate and net cash inflow from acquisition of subsidiaries were related to the acquisition of the Orizen Group in two tranches in 2018 and 2019. Payment for investment in a joint venture was mainly related to the joint venture with the PRC JV Partner through a jointly controlled entity with our Hong Kong Distributor.

In the year ending March 31, 2021, we expect to incur approximately HK\$15.6 million for payment for purchase of property, plant and equipment and intangible assets primarily relating to purchases for the distribution of Smartfish products and our manufacturing operations.

NET CURRENT ASSETS OR LIABILITIES

The following table sets forth our current assets, current liabilities and net current assets or liabilities as of the dates indicated:

	As of March 31,			As of	As of
	2018	2019	2020	July 31, 2020	November 30, 2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Current assets					
Inventories	31,359	30,046	63,778	62,954	60,066
Trade and other receivables	231,142	281,088	129,909	79,572	108,032
Current tax recoverable	3,400	1,052	3,641	3,753	3,188
Cash and cash equivalents	56,856	50,962	72,790	175,721	59,361
	<u>322,757</u>	<u>363,148</u>	<u>270,118</u>	<u>322,000</u>	<u>230,647</u>
Current liabilities					
Trade and other payables and contract liabilities	896,121	1,016,137	85,837	38,737	43,660
Bank loans	12,878	4,733	–	–	60,000
Lease liabilities	6,961	7,536	9,025	9,315	8,692
Current tax payable	693	3,358	4,998	7,680	13,024
	<u>916,653</u>	<u>1,031,764</u>	<u>99,860</u>	<u>55,732</u>	<u>125,376</u>
Net current (liabilities)/assets .	<u>(593,896)</u>	<u>(668,616)</u>	<u>170,258</u>	<u>266,268</u>	<u>105,271</u>

We recorded net current liabilities of HK\$593.9 million and HK\$668.6 million as of March 31, 2018 and 2019, respectively. These net current liabilities were primarily due to large trade and other payables and contract liabilities, in particular, amounts due to an intermediate holding company and fellow subsidiaries mainly for the payment for various acquisitions (including the brands of Tong Tai Chung Woodlok Oil and Ho Chai Kung) completed prior to the Track Record Period.

We had net current assets of HK\$170.3 million as of March 31, 2020 as compared to net current liabilities of HK\$668.6 million as of March 31, 2019. This change was primarily due to a substantial decrease in trade and other payables and contract liabilities, in particular, amounts due to an intermediate holding company and fellow subsidiaries, which were set-off and capitalized as part of the Reorganization in preparation for the Spin-off.

Net current assets increased by HK\$96.0 million, or 56.4%, from HK\$170.3 million as of March 31, 2020 to HK\$266.3 million as of July 31, 2020, which was primarily a result of our receipt of the Pre-IPO Investments from the Strategic Investors.

Net current assets decreased by HK\$161.0 million, or 60.5%, from HK\$266.3 million as of July 31, 2020 to HK\$105.3 million as of November 30, 2020, which was primarily a combined result of (i) a decrease in current assets upon the utilization of the proceeds from the Pre-IPO Investments, and (ii) an increase in current liabilities arising from the current portion of the new bank loan drawn down in November 2020.

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WORKING CAPITAL

During the Track Record Period, we met our working capital needs primarily through advances and other funding by the Jacobson Connected Persons, net cash generated from operating activities, our cash and cash equivalents on hand and bank loans. We manage our cash flows and working capital by closely monitoring and managing our operations and expansion plans. We also diligently review future cash flows requirements to ensure that we maintain sufficient working capital to support our business operations and expansion plans.

Taking into account the expected cash to be generated from our operations, our available banking facilities and the proceeds from the Public Offer, our Directors are of the view that we have sufficient working capital to meet our requirements for at least the next 12 months from the date of this prospectus.

PRINCIPAL CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Inventories

The following table sets forth our balance of inventories as of the dates indicated:

	As of March 31,			As of
	2018	2019	2020	July 31, 2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Raw materials	10,657	8,647	9,818	9,888
Work in progress	2,426	3,789	580	2,020
Finished goods	18,276	17,610	53,380	51,046
Total	31,359	30,046	63,778	62,954

Our inventory balance decreased by 4.2% from HK\$31.4 million as of March 31, 2018 to HK\$30.0 million as of March 31, 2019, which was mainly a result of increased consumption of raw materials for the manufacturing of our Ho Chai Kung branded products in response to an increase in sales of these products during the first quarter of 2019, which in turn was mainly driven by our increased sales and promotional efforts in late 2018 and early 2019. Our inventory balance increased by HK\$33.7 million, or 112.3%, from HK\$30.0 million as of March 31, 2019 to HK\$63.8 million as of March 31, 2020, which was primarily a result of (i) our consolidation of the inventories of the Orizen Group, and (ii) increased inventories of antiseptic hand rubs in light of the COVID-19 outbreak. Our inventory balance remained relatively stable at HK\$63.8 million as of March 31, 2020 and HK\$63.0 million as of July 31, 2020, which was primarily a result of a decrease in finished goods mainly attributable to an increase in sales of antiseptic hand rubs in the four months ended July 31, 2020 amid the COVID-19 outbreak, partially offset by increased inventories of work in progress of Po Chai Pills and Ho Chai Kung branded products in response to an increase in sales of these products during the four months ended July 31, 2020.

FINANCIAL INFORMATION

We manage our inventories by monitoring the expiry dates of our raw materials, work in progress and finished goods, which serve as a basis for determining the likelihood of obsolescence and our provision policy. The following table sets forth the aging analysis of our inventories as of the dates indicated based on the expiry date:

	As of March 31,			As of
	2018	2019	2020	July 31, 2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Raw materials				
Within one year	1,313	645	676	629
One to two years.....	2,520	2,567	3,582	3,587
Two to three years	2,134	1,800	1,506	1,363
Over three years	2,871	1,553	3,905	4,151
No expiry date ⁽¹⁾	1,819	2,082	149	158
	<u>10,657</u>	<u>8,647</u>	<u>9,818</u>	<u>9,888</u>
Work in progress				
Within one year	617	2,094	–	685
One to two years.....	504	591	346	398
Two to three years	1,134	687	14	840
Over three years	171	417	220	97
	<u>2,426</u>	<u>3,789</u>	<u>580</u>	<u>2,020</u>
Finished goods				
Within one year	790	701	1,845	2,449
One to two years.....	5,698	6,786	28,910	22,662
Two to three years	7,122	5,751	10,778	15,798
Over three years	4,666	4,372	11,847	10,137
	<u>18,276</u>	<u>17,610</u>	<u>53,380</u>	<u>51,046</u>
Total	<u>31,359</u>	<u>30,046</u>	<u>63,778</u>	<u>62,954</u>

Note:

(1) Raw materials with no expiry date mainly comprise packaging materials, such as paper and glass bottles.

Raw materials and work in progress mainly relate to our self-manufactured products. We manage their inventory levels by reference to the actual inventory level of finished goods and the anticipated product demands.

The average shelf lives of our five top-selling products for the year ended March 31, 2020 ranged from no expiry date to four years. For finished goods, the amount of inventories that would expire within one year as of March 31, 2018, 2019 and 2020 and July 31, 2020 only accounted for 4.3%, 4.0%, 3.5% and 4.8% of our total inventory balance of finished goods, respectively.

We make provision to write down the carrying amount of inventories based on the expiry date. We have a write-down of approximately HK\$118,000, a reversal of write-down of approximately HK\$350,000, a write-down of approximately HK\$20,000 and a write-down of approximately HK\$131,000 for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively.

FINANCIAL INFORMATION

The following table sets forth our average inventory turnover days for the period indicated:

	Year ended March 31,			Four months ended July 31, 2020
	2018	2019	2020	
Average inventory turnover days ⁽¹⁾	104	81	89	128

Note:

- (1) Inventory turnover days is derived by dividing the arithmetic mean of the opening and closing balances of inventories for the relevant period by cost of sales and multiplying by 365 days or the numbers of days for the given period.

Average inventory turnover days decreased from 104 days for the year ended March 31, 2018 to 81 days for the year ended March 31, 2019. This decrease was primarily due to (i) the higher opening balance of inventories for the year ended March 31, 2018 and (ii) increased sales in the year ended March 31, 2019 while managing a comparably lower average inventory balance for that year. Average inventory turnover days increased from 81 days for the year ended March 31, 2019 to 89 days for the year ended March 31, 2020. This increase was primarily due to an increase in the ending inventory as of March 31, 2020, which in turn was mainly a result of the introduction of new products, in particular antiseptic hand rubs and face masks, in the last quarter of the year ended March 31, 2020. Average inventory turnover days increased from 89 days for the year ended March 31, 2020 to 128 days for the four months ended July 31, 2020. This increase was primarily due to decreases in our average monthly sales and the corresponding cost of sales during the period from April to July 2020 relative to the year ended March 31, 2020 on a monthly average basis and the minimal change in our overall ending inventory balance over the two period ends, which we attribute mainly to the negative impact of COVID-19.

As of November 30, 2020, HK\$45.3 million, or 72.0%, of our inventories as of July 31, 2020 had been sold or used. In particular, as of November 30, 2020, HK\$6.0 million, HK\$2.0 million and HK\$37.3 million (or 61.3%, 98.8% and 73.0%) of our raw materials, work in progress and finished goods inventories as of July 31, 2020 had been sold or used, respectively. As of November 30, 2020, HK\$1.0 million (or 7.1%) of our finished goods remaining inventories as of July 31, 2020 will expire within one year, HK\$7.5 million (or 54.6%) of our finished goods remaining inventories as of July 31, 2020 will expire within one to two years, HK\$2.7 million (or 19.8%) of our finished goods remaining inventories as of July 31, 2020 will expire within two to three years, and HK\$2.5 million (or 18.4%) of our finished goods remaining inventories as of July 31, 2020 will expire over three years.

We have closely monitored the expiry dates and the utilization of our inventories and reviewed our inventory provision accordingly. As described in Note 16(B) to our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus, there has been no material write down for inventories historically. In addition, as of November 30, 2020, HK\$0.5 million (or 78.4%) of our raw materials, HK\$0.7 million (or 100.0%) of our work in progress and HK\$1.5 million (or 59.8%) of our finished goods inventories with expiry date of less than one year as of July 31, 2020 had been sold or used, respectively. Therefore, we are of the view that there is no significant recoverability issue for inventories with expiry date of less than one year as of July 31, 2020.

FINANCIAL INFORMATION

Trade and Other Receivables

The following table sets forth our trade and other receivables as of the dates indicated:

	As of March 31,			As of
	2018	2019	2020	July 31,
	HK\$'000	HK\$'000	HK\$'000	2020
Trade receivables				
Third parties	37,832	63,818	45,022	48,567
Fellow subsidiaries	107	263	27,096	14,196
	37,939	64,081	72,118	62,763
Other receivables	376	5,851	4,574	5,164
Amounts due from fellow subsidiaries	157,923	188,454	22,887	20
Amounts due from an intermediate holding company	26,416	11,863	11,100	–
Deposits and prepayments	8,488	10,839	19,230	11,625
Total	231,142	281,088	129,909	79,572

Trade receivables comprise the outstanding amounts due from our customers for the purchase of our products. Payment terms granted to our customers generally range from prepayment of partial deposits to credit terms of 108 days upon delivery depending on the product type and the type and credit worthiness of the customers. Trade receivables increased by 68.9% from HK\$37.9 million as of March 31, 2018 to HK\$64.1 million as of March 31, 2019. This increase was primarily due to an increase in sales of Ho Chai Kung branded products during the first quarter of 2019, which was mainly a result of our increased sales and promotional efforts in late 2018 and early 2019. Trade receivables increased by 12.5% from HK\$64.1 million as of March 31, 2019 to HK\$72.1 million as of March 31, 2020. This increase was primarily due to the inclusion of Ho Chai Kung branded products in our logistics arrangement with the Jacobson Connected Persons (which included payment settlement services that has a longer settlement period than our previous arrangement) in the year ended March 31, 2020. In preparation for the Spin-off, we have recently internalized all payment settlement logistics, along with the expansion of other capabilities, for the bulk of our products, and accordingly no longer required such payment settlement services from the Jacobson Connected Persons subsequent to the Track Record Period. For further details, see the sections headed “Business — Sales and Distribution — Distribution and Logistics — Hong Kong” and “Connected Transactions — Partially Exempt Continuing Connected Transactions — 1. Logistics Services Agreement.” Trade receivables decreased by 13.0% from HK\$72.1 million as of March 31, 2020 to HK\$62.8 million as of July 31, 2020. This decrease was primarily due to timing of sales and receivables collection of Ho Chai Kung branded products.

The following table sets forth, as of the dates indicated, the aging analysis of our trade receivables based on invoice dates and net of loss allowances:

	As of March 31,			As of
	2018	2019	2020	July 31,
	HK\$'000	HK\$'000	HK\$'000	2020
Less than one month	19,076	43,450	49,661	44,553
One to six months	10,731	17,540	19,922	14,386
Over six months	8,132	3,091	2,535	3,824
Total	37,939	64,081	72,118	62,763

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The following table sets forth, as of the dates indicated, the aging analysis of our trade receivables (net of loss allowance) by due date:

	As of March 31,			As of
	2018	2019	2020	July 31,
	HK\$'000	HK\$'000	HK\$'000	2020
Current.....	17,295	23,331	42,090	32,432
Less than one month past due	10,508	34,100	13,765	7,567
One to three months past due	1,748	3,479	10,450	14,698
Over three months past due	8,388	3,171	5,813	8,066
Total	37,939	64,081	72,118	62,763

Trade receivables that were neither past due nor impaired as of March 31, 2018, 2019 and 2020 and July 31, 2020 were related to a wide range of customers that had no recent history of default with us. Trade receivables that were past due but not impaired are related to a number of customers that have a good track record with us. We measure loss allowances for trade receivables at an amount equal to lifetime expected credit losses, which, except for amounts due from customers with known financial difficulties or significant doubt on collection that are assessed individually, is calculated using a provision matrix. We apply expected loss rates based on actual loss experience over the past two years, which are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and our view of economic conditions over the expected lives of the receivables. We assessed that there is no significant loss allowance recognized in accordance with HKFRS 9 as of March 31, 2018, 2019 and 2020 and July 31, 2020 other than a single customer with significant doubt on collection that were individually impaired. Hence, we recorded a credit loss allowance of nil, HK\$2.6 million, HK\$2.6 million and HK\$2.6 million as of March 31, 2018, 2019 and 2020 and July 31, 2020, respectively. We have ceased our business relationship with the said customer.

The following table sets forth our average trade receivables turnover days for the periods indicated:

	Year ended March 31,			Four months
	2018	2019	2020	ended July 31,
				2020
Average trade receivables turnover days ⁽¹⁾	46	61	65	69
of which: Third-party customers	51	66	64	58
Related party customers	0.7	2.5	69	121

Note:

(1) Trade receivables turnover days is derived by dividing the arithmetic mean of the opening and closing balances of trade receivables for the relevant period by revenue and multiplying by 365 days or the numbers of days for the given period.

Average trade receivables turnover days increased from 46 days for the year ended March 31, 2018 to 61 days for the year ended March 31, 2019. This increase was primarily due to an increase in sales of Ho Chai Kung branded products towards the year ended March 31, 2019 as described above. Average trade receivables turnover days increased from 61 days for the year ended March 31, 2019 to 65 days for the year ended March 31, 2020. This increase was primarily due to the inclusion of Ho Chai Kung branded products in our logistics arrangement with the Jacobson Connected Persons (which included payment settlement services that has a longer settlement period than our previous arrangement) in the year ended March 31, 2020. Average trade receivables turnover days increased from 65 days for the year ended March 31, 2020 to 69 days for the four months ended July 31, 2020. This increase was primarily due to an increase in sales to customers that were granted a longer payment term amid the COVID-19 outbreak in consideration of their reputation and good settlement track record.

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Average turnover days of trade receivables from related party customers remained stable at 0.7 days and 2.5 days for the years ended March 31, 2018 and 2019, respectively. This was because trade receivables from related party customers were settled within the credit period before the end of the relevant periods, which resulted in minimal receivable closing balances for the relevant periods. Average turnover days of trade receivables from related party customers increased from 2.5 days for the year ended March 31, 2019 to 69 days for the year ended March 31, 2020. This increase was primarily due to the inclusion of Ho Chai Kung branded products in our logistics arrangement with the Jacobson Connected Persons in the year ended March 31, 2020 as described above. Average turnover days of trade receivables from related party customers increased from 69 days for the year ended March 31, 2020 to 121 days for the four months ended July 31, 2020. This increase was primarily due to the revenue recognized towards the end of the period, which resulted in an increase in the receivables closing balance for the four months ended July 31, 2020. These balances were within the credit period as of July 31, 2020 and were fully settled after the Track Record Period.

As of November 30, 2020, HK\$46.8 million, or 74.5%, of our trade receivables as of July 31, 2020 had been fully settled. In particular, as of November 30, 2020, HK\$32.6 million, or 67.0%, of our trade receivables from third-parties and HK\$14.2 million, or 100.0%, of our trade receivables from related party customers as of July 31, 2020 had been fully settled. Trade receivables that were past due are mainly related to our long-term customers, who we have continued to make sales to and receive settlements from during and subsequent to the Track Record Period. No bad debts have arisen from these customers in the past. Therefore, we are of the view that there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As of March 31, 2018, 2019 and 2020 and July 31, 2020, we had amounts due from fellow subsidiaries of HK\$157.9 million, HK\$188.5 million, HK\$22.9 million and HK\$0.02 million, respectively, and amounts due from an intermediate holding company of HK\$26.4 million, HK\$11.9 million, HK\$11.1 million and nil, respectively. Amounts due from fellow subsidiaries and an intermediate holding company decreased from HK\$200.3 million as of March 31, 2019 to HK\$34.0 million as of March 31, 2020. This decrease was primarily due to the assignment of a substantial portion of the amounts due from the fellow subsidiaries to the immediate holding company as part of the Reorganization. Amounts due from fellow subsidiaries and an intermediate holding company further decreased to HK\$0.02 million as of July 31, 2020, which was primarily a result of the settlement of substantially all of the remaining balance in preparation for the Spin-off. All the amounts due from fellow subsidiaries and an intermediate holding company will be settled prior to the Listing.

Deposits and prepayments primarily comprise prepayment for advertising and promotion, rental deposits and listing expenses. Deposits and prepayments increased by 27.7% from HK\$8.5 million as of March 31, 2018 to HK\$10.8 million as of March 31, 2019, which was primarily a result of an increase in prepayment for advertising and promotional expenses for Po Chai Pills. Deposits and prepayments further increased by 77.4% to HK\$19.2 million as of March 31, 2020, which was primarily attributable to an increase in prepayment for advertising and promotional expenses for Po Chai Pills and prepayment for listing expenses. Deposits and prepayments decreased by 39.6% from HK\$19.2 million as of March 31, 2020 to HK\$11.6 million as of July 31, 2020, which was primarily attributable to a decrease in prepayment for face masks as they had been recognized as inventories upon receipt. Among these balances of deposits and prepayments, HK\$4.3 million, HK\$1.6 million, HK\$2.1 million and HK\$2.0 million were expected to be recovered after more than one year as of March 31, 2018, 2019 and 2020 and July 31, 2020, respectively. Other than the foregoing, we expect all our trade and other receivables to be recovered within one year.

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Property, Plant and Equipment

The following table sets forth our property, plant and equipment as of the dates indicated:

	As of March 31,			As of
	2018	2019	2020	July 31, 2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Leasehold land	2,488	2,397	2,306	2,275
Buildings.....	107,194	101,252	98,626	97,006
Machinery and equipment.....	44,326	41,288	37,862	36,386
Furniture, fixtures and office equipment.....	44,627	40,976	38,714	39,679
Motor vehicles	884	319	221	188
Leasehold improvements.....	1,624	1,480	1,936	1,767
Total	201,143	187,712	179,665	177,301

During the Track Record Period, property, plant and equipment primarily consisted of buildings, as well as furniture, fixtures and office equipment, and machinery and equipment. Property, plant and equipment decreased by 6.7% from HK\$201.1 million as of March 31, 2018 to HK\$187.7 million as of March 31, 2019, further decreased by 4.3% to HK\$179.7 million as of March 31, 2020, and decreased by 1.3% to HK\$177.3 million as of July 31, 2020. These decreases were primarily due to depreciation charges, partially offset by the additions of right-of-use assets primarily related to buildings leased by the Orizen Group for own use that have been consolidated into our results since August 2019, as well as additional office spaces leased for our headquarters in preparation of the Spin-off.

Intangible Assets

The following table sets forth our balance of intangible assets as of the dates indicated:

	As of March 31,			As of
	2018	2019	2020	July 31, 2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Goodwill	204,347	204,347	260,538	260,538
Club memberships.....	1,220	1,220	1,220	1,220
Trade marks	260,670	260,670	367,124	367,124
Unpatented drugs	30,652	29,549	29,490	29,111
Customer relationship	102,266	94,966	194,620	189,810
Distribution rights	-	1,022	1,022	16,718
Total	599,155	591,774	854,014	864,521

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Intangible assets include the following:

- Goodwill, which mainly represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of our previously held equity interest in the acquiree over the net fair value of the acquiree's identifiable assets and liabilities measured as of the acquisition date. Goodwill relates primarily to our historical acquisitions of the Ho Chai Kung, the Orizen Group and Po Chai Pills businesses.
- Club memberships, which mainly represent membership fees paid to clubs held on a long-term basis.
- Trade marks, which mainly represent the registered trade marks (such as Ho Chai Kung, own brand CCMG, Po Chai Pills and Tong Tai Chung) owned by the subsidiaries acquired at the acquisition dates.
- Unpatented drugs, which mainly represent the formulations and manufacturing know-how of products (such as Tong Tai Chung branded products, Shiling Oil and Ho Chai Kung branded products) held by the subsidiaries acquired at the acquisition dates.
- Customer relationship, which mainly represents the steady and loyal customer network, which has businesses with the relevant acquiree acquired at the acquisition dates. Customer relationship relates primarily to our historical acquisitions of the Orizen Group businesses, Ho Chai Kung and Tong Tai Chung.
- Distribution rights, which represent the distribution rights of third-party brand products (such as upfront payment relating to distributorship or in-licensing arrangements).

Goodwill, club memberships and trade marks are stated at cost less impairment losses. We estimate the recoverable amount of these intangible assets annually in accordance with HKFRSs to determine whether or not there is any indication of impairment. An impairment loss is recognized in profit or loss if the carrying amount of the intangible asset or the relevant cash-generating unit exceeds its recoverable amount.

Unpatented drugs, customer relationship and distribution rights are stated at cost less accumulated amortization and impairment losses. Amortization of these intangible assets is charged to profit or loss on a straight-line basis over the assets' estimated useful lives, and these assets are amortized from the date they are available for use. The estimated useful lives used during the Track Record Period were 30 years for unpatented drugs, 15 to 20 years for customer relationship and over the distribution agreement term of 3 to 10 years for distribution rights. For further details of the considerations we took into account in estimating the useful lives for unpatented drugs and customer relationship, see Note 2(i) to our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus. We review internal and external sources of information (such as interest rate and profitability of the relevant cash-generating unit) at the end of each reporting period to identify indications that any of these intangible assets may be impaired. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized in profit or loss if the carrying amount of the intangible asset or the relevant cash-generating unit exceeds its recoverable amount.

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Intangible assets decreased by 1.2% from HK\$599.2 million as of March 31, 2018 to HK\$591.8 million as of March 31, 2019, which was primarily a result of amortization. Intangible assets increased by 44.3% from HK\$591.8 million as of March 31, 2019 to HK\$854.0 million as of March 31, 2020. This increase was primarily due to our acquisition of the Orizen Group, which resulted in increases in customer relationship, trade marks and goodwill. Intangible assets increased by 1.2% from HK\$854.0 million as of March 31, 2020 to HK\$864.5 million as of July 31, 2020, primarily resulting from the recognition of intangible assets concerning the distribution rights under our 15-year in-licensing agreement with a European brand owner (as described in the section headed “Business — Sourcing and Representation of Third-Party Brand Products — In-licensing”) following completion of our payment obligations under the said agreement.

Impairment tests for cash generating units containing goodwill and trademarks

Goodwill and trademark are allocated to our cash-generating units in our branded medicines and proprietary Chinese medicines business segments. The recoverable amount of a cash-generating units is determined based on value-in-use calculations. Based on the impairment assessment as of March 31, 2018, 2019 and 2020 and July 31, 2020, the estimated recoverable amount of our cash-generating units in branded medicines segment exceeded their carrying amount by approximately HK\$89.4 million, HK\$105.9 million, HK\$71.5 million and HK\$93.6 million, respectively, and the estimated recoverable amount of the cash-generating units in proprietary Chinese medicines business segment exceeded their carrying amount by approximately HK\$133.1 million, HK\$133.8 million, HK\$229.9 million and HK\$222.1 million, respectively.

We have performed sensitivity analysis in relation to the impairment assessment. The following table indicates how the amount of headroom would have changed if certain key assumption during the forecast period had changed, assuming all other assumptions remained constant:

	As of March 31,			As of July 31,
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Proprietary Chinese medicines				
Discount rate increases by 100 basis point	26,664	29,771	58,467	58,467
Gross margin decreases by 100 basis point	11,920	12,976	22,313	22,313
Branded medicines				
Discount rate increases by 100 basis point	52,768	62,623	64,630	64,630
Gross margin decreases by 100 basis point	11,182	12,704	12,577	12,577

In light of the sufficient headroom, we believe any reasonably possible change in any of these assumptions would not cause the carrying amount of the cash-generating units to exceed the recoverable amount of the cash-generating units.

In addition, had certain key assumptions during the forecast period been changed as below, while holding all other assumptions constant, the recoverable amount of the cash-generating units would be approximately equal to its carrying amount.

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	As of March 31,			As of July 31,
	2018	2019	2020	2020
Discount rate increases to	17%–22%	15%–20%	14%–28%	14%–26%
Gross margin decreases to	34%–62%	42%–61%	15%–66%	15%–65%

For further details, see Note 12 to our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus.

Trade and Other Payables and Contract Liabilities

The following table sets forth our trade and other payables as of the dates indicated:

	As of March 31,			As of July 31,
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables				
Third parties	7,265	14,519	6,072	7,022
Fellow subsidiaries	–	–	1,366	177
	7,265	14,519	7,438	7,199
Salary and bonus payables	2,648	2,798	4,633	5,119
Other payables and accruals	6,436	9,751	16,002	10,202
Dividends payable to non-controlling interests ..	–	–	–	2,280
Amount due to a joint venture	–	–	2,500	2,500
Amounts due to fellow subsidiaries	239,295	362,534	40,379	4,703
Amounts due to an intermediate holding company	639,514	625,964	10,824	1,637
Contract liabilities	963	571	4,061	5,097
Total	896,121	1,016,137	85,837	38,737

Trade payables primarily comprise payables for purchases of raw materials, packaging materials, finished goods from third-party brand owners and products from our third-party manufacturers. Payment terms for invoice settlement as requested by our suppliers range from prepayment to credit terms of 90 days. Trade payables increased by 99.8% from HK\$7.3 million as of March 31, 2018 to HK\$14.5 million as of March 31, 2019, then decreased by 48.8% to HK\$7.4 million as of March 31, 2020. These fluctuations primarily reflected the timing of order placements by us to one of our major third-party brand owners. Trade payables remained relatively stable at HK\$7.2 million as of July 31, 2020.

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The following table sets forth, as of the dates indicated, the aging analysis of our trade payables based on invoice dates:

	As of March 31,			As of
	2018	2019	2020	July 31,
	HK\$'000	HK\$'000	HK\$'000	2020
Within one month.....	3,126	6,127	5,372	5,274
One to six months	4,139	8,392	1,902	1,760
Over six months	—	—	164	165
Total	7,265	14,519	7,438	7,199

The following table sets forth our average trade payables turnover days for the periods indicated:

	Year ended March 31,			Four months
	2018	2019	2020	ended July 31,
				2020
Average trade payables turnover days ⁽¹⁾	16	29	21	15

Note:

(1) Trade payables turnover days is derived by dividing the arithmetic mean of the opening and closing balances of trade payables for the relevant period by cost of sales and multiplying by 365 days or the numbers of days for the given period.

Average trade payables turnover days were 16, 29, 21 and 15 for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively. This fluctuation was generally in line with the fluctuation of trade payables during the Track Record Period.

As of November 30, 2020, HK\$7.0 million, or 97.7%, of our trade payables as of July 31, 2020 had been fully settled.

Other payables and accruals primarily comprise accruals for advertising and promotion, sales rebate and audit fee. Other payables and accruals increased by 51.5% from HK\$6.4 million as of March 31, 2018 to HK\$9.8 million as of March 31, 2019, which was primarily attributable to an increase in advertising and promotional expenses incurred for Po Chai Pills. Other payables and accruals increased by 64.1% from HK\$9.8 million as of March 31, 2019 to HK\$16.0 million as of March 31, 2020, which was primarily attributable to sales rebate for CCMG products. Other payables and accruals decreased by 36.3% from HK\$16.0 million as of March 31, 2020 to HK\$10.2 million as of July 31, 2020, which was primarily attributable to the settlement of sales rebate for CCMG products and Ho Chai Kung branded products prior to July 31, 2020.

The balances of all trade and other payables are expected to be fully settled within one year.

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INDEBTEDNESS AND CONTINGENT LIABILITIES

Indebtedness

The following table sets forth a breakdown of our outstanding indebtedness as of the dates indicated:

	As of March 31,			As of July 31, 2020	As of November 30, 2020
	2018	2019	2020	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Current liabilities					
Amount due to a joint venture ..	–	–	2,500	2,500	2,500
Amounts due to fellow subsidiaries	239,295	362,534	40,379	4,703	–
Amounts due to an intermediate holding company	639,514	625,964	10,824	1,637	–
Bank loans					
Current portion of bank loans	2,997	622	–	–	60,000
Non-current portion of bank loans with repayable on demand clause	9,881	4,111	–	–	–
	12,878	4,733	–	–	60,000
Lease liabilities	6,961	7,536	9,025	9,315	8,692
	898,648	1,000,767	62,728	18,155	71,192
Non-current liabilities					
Lease liabilities	11,663	7,887	6,515	5,473	3,759
Amount due to the immediate holding company	–	–	440,000	372,933	–
Bank loans	–	–	–	–	190,000
Total	910,311	1,008,654	509,243	396,561	264,951

Our indebtedness comprises of (i) an amount due to a joint venture, which will be settled prior to the Listing, (ii) amounts due to the Jacobson Connected Persons, including an intermediate holding company, fellow subsidiaries and an immediate holding company, which have been fully settled as of November 30, 2020, (iii) bank loans, which were drawn down in November 2020 to partially settle the outstanding amount due to the immediate holding company, and (iv) lease liabilities, which were recognized in accordance with HKFRS 16 in relation to leases of premises used for our operations, which typically run for an initial period of one to five years.

As of March 31, 2020, July 31, 2020 and November 30, 2020, we had an amount due to a joint venture of HK\$2.5 million, which represented our investment in a joint venture to distribute Weisen-U (gastric tablets) to markets outside of Greater China and develop new product lines in other therapeutic areas under the brand “Weisen-U” for Asia.

As of March 31, 2018, 2019 and 2020, July 31, 2020 and November 30, 2020, we had total amounts due to fellow subsidiaries, an intermediate holding company and the immediate holding company of HK\$878.8 million, HK\$988.5 million, HK\$491.2 million, HK\$379.3 million and nil, respectively. The increase as of March 31, 2019 was mainly due to advances by the Jacobson Connected Persons to us for acquisitions of interests in two associates during the year ended March 31, 2019, including Orizen. The decreases as of March 31, 2020, July 31, 2020 and November 30, 2020 were mainly due to partial settlement in preparation for the Spin-off.

We had no outstanding bank loans as of July 31, 2020. While all of the secured banking facilities shared with certain fellow subsidiaries and an intermediate holding company were terminated in

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November 2020, we obtained in November 2020 a secured banking facility of HK\$250.0 million, which was fully utilized by us in the same month to partially settle the outstanding amount due to the immediate holding company. This secured banking facility is currently guaranteed by the Company and Jacobson Pharma, but the guarantee from Jacobson Pharma will be released upon the Listing. It is also secured by a pledge of property, plant and equipment by us in the amount of HK\$79.9 million as of November 30, 2020 and no pledge was provided by Jacobson Pharma. We had no unutilized bank facilities as of November 30, 2020.

Under HKFRS 16, a lease liability is initially recognized at the present value of lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. As of March 31, 2018, 2019 and 2020 and July 31, 2020, our lease liabilities amounted to HK\$18.6 million, HK\$15.4 million, HK\$15.5 million and HK\$14.8 million, respectively. The decrease as of March 31, 2019 was attributable to lease rental payments. The increase as of March 31, 2020 was primarily attributable to the additional office space leased for our headquarters in preparation of the Spin-off and buildings leased by the Orizen Group for own use that have been consolidated into our results since August 2019, partially offset by lease rental payments. Lease liabilities slightly decreased to HK\$14.8 million as of July 31, 2020 and further to HK\$12.5 million as of November 30, 2020 as a result of lease rental payment.

Our Directors confirm that we had no material defaults in payment of trade and non-trade payables and bank and other borrowings, nor did we breach any material covenants during the Track Record Period.

Contingent Liabilities

Our subsidiary Jacobson Medical is one of the entities under certain cross guarantee arrangements with certain Jacobson Connected Persons for certain banking facilities granted to Jacobson Medical and those Jacobson Connected Persons as further described in Note 28 to our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus. These cross guarantee arrangements were released subsequent to the Track Record Period prior to the Listing.

Statement of Indebtedness

Save as disclosed in the section headed “— Indebtedness and Contingent Liabilities — Indebtedness” above, we did not have, as of November 30, 2020, any outstanding debt securities, mortgage, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, leasing and financial leasing commitments, hire purchase commitments, guarantees or other material contingent liabilities.

Our Directors confirm that there is no material change in our indebtedness position since November 30, 2020 up to the date of this prospectus.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements or commitments to guarantee the payment obligations of third parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

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RELATED PARTY TRANSACTIONS

The following table sets forth a breakdown of our material related party transactions (other than key management personnel emoluments) for the periods indicated:

	Year ended March 31,			Four months ended July 31,	
	2018	2019	2020	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Sales to fellow subsidiaries	7,833	6,337	7,542	2,365	1,904
Sales to a related party	–	–	–	–	551
Purchase from fellow subsidiaries	–	–	6,821	–	4,384
Distribution and logistics fees to fellow subsidiaries	3,724	4,735	9,195	1,613	2,611
Overseas sales administrative fee to a fellow subsidiary	–	450	921	307	1,117
Management fee to a fellow subsidiary	20,510	24,921	18,982	5,521	–
Interest income from a fellow subsidiary	1,148	2,269	5,754	1,918	–
Interest on lease liabilities to a fellow subsidiary	458	282	203	77	38
Interest expense on amounts due to a fellow subsidiary	230	389	305	103	–
Interest expense on the amount due to the immediate holding company	–	–	–	–	2,933

Sales to Fellow Subsidiaries and Sales to A Related Party

Sales to fellow subsidiaries referred to our sales of certain branded healthcare products to the Jacobson Connected Persons, in particular for the on-sell of such products in the two retail drug stores operated under Jacobson Pharma's wholesale and retail business. As a result of the disposal of part equity interests in the wholesale and retail business by the Jacobson Connected Persons in June 2020, the wholesale and retail business ceased to be a subsidiary business and became an associate business of Jacobson Pharma and, accordingly, sales to this wholesale and retail business have since been recorded as sales to a related party.

Purchase from Fellow Subsidiaries

Purchase from fellow subsidiaries mainly referred to the manufacturing services provided to us by the Jacobson Connected Persons in connection with certain branded healthcare products, as further described in the sections headed "Business — Development and Manufacture of Own Brand Products — Third-Party Manufacturing" and "Connected Transactions — Partially Exempt Continuing Connected Transactions — 2. Manufacturing Services Agreement." We had purchase from fellow subsidiaries of HK\$6.8 million for the year ended March 31, 2020 and HK\$4.4 million for the four months ended July 31, 2020 as we begun utilizing manufacturing services of the Jacobson Connected Persons for our Dr. Freeman antiseptic hand rubs as a result of the COVID-19 outbreak.

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Distribution and Logistic Fees to Fellow Subsidiaries

Distribution and logistic fees to fellow subsidiaries related to certain logistics services of the Jacobson Connected Persons we utilize for loading and unloading, and trucking, as well as invoicing and payment settlement services, as further described in the sections headed “Business — Sales and Distribution — Distribution and Logistics” and “Connected Transactions — Partially Exempt Continuing Connected Transactions — 1. Logistics Services Agreement.” We had distribution and logistic fees to fellow subsidiaries of HK\$3.7 million, HK\$4.7 million, HK\$9.2 million, HK\$1.6 million and HK\$2.6 million for the year ended March 31, 2018, 2019 and 2020 and for the four months ended July 31, 2019 and 2020, respectively. The significant increase from the year ended March 31, 2019 to the year ended March 31, 2020 and from the four months ended July 31, 2019 to the corresponding period in 2020 was due to the inclusion of Ho Chai Kung branded products in our logistics arrangement with the Jacobson Connected Persons in the year and four months ended July 31, 2020.

Overseas Sales Administrative Fee to A Fellow Subsidiary

Overseas sales administrative fee to a fellow subsidiary related to overseas sales administrative services in Macau provided by a fellow subsidiary to us, including orders management as well as sales and customer support services. Our overseas sales administrative fee to a fellow subsidiary increased from HK\$0.3 million for the four months ended July 31, 2019 to HK\$1.1 million for the corresponding period in 2020 as such overseas sales administrative services from the Jacobson Connected Persons were extended to cover Taiwan and Singapore in the four months ended July 31, 2020. For further details, see the section headed “Connected Transactions — Partially Exempt Continuing Connected Transactions — 3. Overseas Sales Administrative Services Agreement.”

Management Fee to A Fellow Subsidiary

Management fee to a fellow subsidiary related to management expenses (such as rental expenses and professional fees) shared among the Jacobson Pharma Group, allocated based on the relative gross profit contribution between our Group and the Remaining Parent Group for the years ended March 31, 2018 and 2019. Management fee to a fellow subsidiary would have decreased by HK\$0.6 million and HK\$4.2 million for the years ended March 31, 2018 and 2019, respectively, if it had been allocated based on actual expenditure incurred relating to us for the period. In preparation for the Spin-off, the basis of allocation was changed to the actual expenditure incurred relating to us for the year ended March 31, 2020. For the purpose of the Listing, we underwent the Reorganization and in the process, completed the physical segregation of such relevant costs and expenses relating to us and no longer shared management fee with the Jacobson Pharma Group since April 2020.

Interest Income from A Fellow Subsidiary and Interest Expense on Amounts Due to A Fellow Subsidiary

In accordance with the Jacobson Pharma Group’s centralized treasury management policies, we provided and received advances to and from Jacobson Treasury which acted as the treasury center in managing the free cash flow, liquidity requirements and external financing within the Jacobson Pharma Group during the Track Record Period. Among these advances were: (i) amounts due from a fellow subsidiary of HK\$110.7 million, HK\$141.5 million and nil as of March 31, 2018, 2019 and 2020, respectively, which bore an interest rate of 1.2% and 1.8% for the years ended March 31, 2018 and 2019, respectively, and (ii) amounts due to a fellow subsidiary of HK\$27.7 million, HK\$32.5 million and nil as of March 31, 2018, 2019 and 2020, respectively, which bore an interest rate of 4.17% and 4.82% per annum for the years ended March 31, 2018 and 2019, respectively. The higher interest rates for amounts due to a fellow subsidiary (being 4.17% and 4.82%) were adopted with reference to the average borrowing interest rates of the fellow subsidiary in the years ended March 31, 2018 and 2019. For the years ended March 31, 2018, 2019 and 2020, we earned interest income from the aforementioned amounts due from Jacobson Treasury and incurred interest expense on the aforementioned amounts due to Jacobson Treasury. We have discontinued this centralized treasury management practice following completion of the Reorganization.

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Interest on Lease Liabilities to A Fellow Subsidiary

Interest on lease liabilities to a fellow subsidiary referred to interest expense on lease liabilities relating to our lease for the properties in Tai Po, Hong Kong primarily used for the manufacturing of our Po Chai Pills.

Interest Expense on the Amount Due to the Immediate Holding Company

Amount due to the immediate holding company increased from nil as of March 31, 2019 to HK\$440.0 million as of March 31, 2020 mainly as a combined result of the assignment of the amounts due to and from the Jacobson Connected Persons to the immediate holding company and the partial set-off of such amounts by the issuance and allotment of Shares to the immediate holding company as part of the Reorganization on March 31, 2020. On July 27, 2020, the relevant amount was further capitalized and decreased to HK\$372.9 million. The amount due to the immediate holding company bore an interest rate of 2.0% per annum. As such, we incurred interest expense of HK\$2.9 million on the aforementioned amounts in the four months ended July 31, 2020. The amount due to the immediate holding company was fully settled as of November 30, 2020 as to HK\$250.0 million by bank facilities obtained in November 2020, with balance from our general working capital including proceeds from the Pre-IPO investments and our internally generated funds.

Related Parties Balances

Balances with related parties are set forth in Note 30(C) to our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus. All balances that are non-trade nature were settled prior to the Spin-off.

It is the view of our Directors that each of the above related party transactions (i) was conducted on an arm's length basis, and (ii) does not distort our Track Record Period results or make our historical results not reflective of future performance.

FINANCIAL RISKS

We are exposed to credit, liquidity, interest rate and currency risks that arise in the normal course of our business. Further information is set forth in Note 27 to our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates indicated:

	As of/For the year ended March 31,			As of/For the four months ended July 31,
	2018	2019	2020	2020
Profitability ratios				
Gross profit margin ⁽¹⁾	55.3%	55.2%	49.8%	49.2%
Net profit margin ⁽²⁾	16.6%	19.3%	11.6%	7.2%
Return on equity ⁽³⁾	44.8%	39.6%	9.9%	N/A ⁽⁸⁾
Return on total assets ⁽⁴⁾	4.0%	4.9%	3.3%	N/A ⁽⁸⁾
Liquidity ratios				
Current ratio ⁽⁵⁾	0.35	0.35	2.70	5.78
Quick ratio ⁽⁶⁾	0.32	0.32	2.07	4.65
Gearing ratio ⁽⁷⁾	10.6%	2.7%	—	—

Notes:

- (1) Gross profit margin is calculated based on gross profit divided by revenue and multiplied by 100%.
- (2) Net profit margin is calculated based on profit for the period divided by revenue and multiplied by 100%.
- (3) Return on equity is calculated based on profit for the period divided by the arithmetic mean of the opening and closing balances of total equity in the relevant period and multiplied by 100%.
- (4) Return on total assets is calculated based on profit for the period divided by the arithmetic mean of the opening and closing balances of total assets in the relevant period and multiplied by 100%.
- (5) Current ratio is calculated based on total current assets divided by total current liabilities.
- (6) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities.
- (7) Gearing ratio is calculated based on bank loans divided by net assets.
- (8) This four-month number is not meaningful as it is not comparable to the annual numbers.

For a discussion on the fluctuations in our gross profit margin and net profit margin during the Track Record Period, see the section headed “— Period to Period Comparison of Results of Operations” above.

Our return on equity decreased from 44.8% for the year ended March 31, 2018 to 39.6% for the year ended March 31, 2019. This decrease was primarily due to our acquisition of 45% of the issued shares of Orizen and we were only able to share its profit for a portion of the year. Our return on equity further decreased significantly from 39.6% for the year ended March 31, 2019 to 9.9% for the year ended March 31, 2020. This decrease was primarily due to (i) our larger equity balance as certain amounts due to the Jacobson Connected Persons were capitalized in preparation for the Spin-off, and (ii) a decrease in net profit.

Our return on total assets increased from 4.0% for the year ended March 31, 2018 to 4.9% for the year ended March 31, 2019. This increase was primarily due to an increase in profit, partly contributed from increases in sales of Po Chai Pills and AIM Atropine Eye Drops. Our return on total assets decreased from 4.9% for the year ended March 31, 2019 to 3.3% for the year ended March 31, 2020. This decrease was primarily due to an increase in intangible assets, which was mainly a result of the consolidation of the assets and liabilities of the Orizen Group following completion of our acquisition of a controlling stake in the Orizen Group in August 2019.

Our current ratio remained stable at 0.35 as of March 31, 2018 and 2019 and increased significantly to 2.70 as of March 31, 2020. This increase was primarily due to a decrease of 90.3% in total current liabilities, in particular the significant decreases in amounts due to an intermediate holding company and amounts due to fellow subsidiaries due to the settlement of current accounts and loan capitalization made

FINANCIAL INFORMATION

in preparation for the Spin-off. Our current ratio increased to 5.78 as of July 31, 2020, which was primarily due to (i) a decrease in total current liabilities, in particular the decreases in amounts due to the Jacobson Connected Persons due to the settlement made in preparation for the Spin-off; and (ii) an increase in total current assets mainly as a result of our receipt of the Pre-IPO Investments from the Strategic Investors.

Consistent with the changes in our current ratio, our quick ratio remained stable at 0.32 as of March 31, 2018 and 2019 and increased significantly to 2.07 as of March 31, 2020. This increase was primarily due to the decrease in total current liabilities as described above. Our quick ratio increased to 4.65 as of July 31, 2020, which was primarily due to a decrease in total current liabilities and an increase in total current assets as described above.

Our gearing ratio decreased from 10.6% as of March 31, 2018 to 2.7% as of March 31, 2019, then decreased to nil and nil as of March 31, 2020 and July 31, 2020, respectively. These decreases were due to our partial repayment of bank loans of HK\$8.1 million in the year ended March 31, 2019 and the full repayment of bank loans in the year ended March 31, 2020.

DIVIDENDS

In accordance with our Articles of Association, through a general meeting, we may declare dividends, but no dividend may be declared unless out of either profit or share premium account and no dividend shall exceed the amount recommended by our Board. Our Board may also from time to time pay interim dividends as our Board believes to be justified by the profits of our Company, as well as special dividends on shares of any class of such amounts and on such dates as it deems fit. We cannot guarantee in what form dividends will be paid in the future.

As we are a holding company, our ability to declare and pay dividends will depend on the availability of dividends received from our subsidiaries. In respect of our PRC-incorporated subsidiary, the PRC laws require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including HKFRSs. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

Prior to the completion of the Reorganization, one of our subsidiaries declared dividends of HK\$66.0 million to its intermediate holding company on June 3, 2019. In addition, we paid dividends of HK\$0.4 million, HK\$0.4 million, HK\$0.4 million, HK\$3.5 million to non-controlling interests in the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively. Subsequent to the Track Record Period and up to November 30, 2020, we paid dividends of HK\$0.4 million to non-controlling interests. Our Company currently does not have a pre-determined dividend payment ratio. Our Board has the absolute discretion to declare dividends, subject to our Articles of Association, the Cayman Companies Act, Hong Kong laws and PRC laws governing our subsidiaries' ability to declare and pay dividends to us. Any declaration of dividends will depend on our future operations and earnings, capital requirements and surplus, cash flows and general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Our future declarations of dividends may or may not reflect our historical or further declarations of dividends.

DISTRIBUTABLE RESERVES

As of July 31, 2020, our Company had distributable reserves of HK\$708.8 million.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

See Appendix II to this prospectus for the unaudited pro forma financial information of our Group, which is set out therein to illustrate the effect of the Public Offer on our net tangible liabilities attributable to equity holders of our Company as of July 31, 2020 as if the Public Offer had taken place on July 31, 2020.

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RECENT DEVELOPMENTS

Sales Performance

Our business has, in certain aspects, continued to be negatively impacted by the COVID-19 outbreak subsequent to the Track Record Period. Based on our unaudited management accounts, despite the minor improvement in CCMG sales under the Orizen Group, we recorded a decrease of around 23% in our overall revenue for the four months ended November 30, 2020 as compared to the corresponding period in 2019. This decrease was mainly due to the negative impact of the COVID-19 outbreak on the economic, tourism and retail activities in Hong Kong. Nevertheless, our average monthly sales across the four-month period from August to November 2020 have remained stable, partly supported by the stable sales of CCMG products.

Government Subsidies and Finance Costs

Subsequent to the Track Record Period and up to November 30, 2020, we benefited further from wage subsidies in the amount of HK\$6.7 million under the Hong Kong government's employment support scheme of the anti-epidemic fund, which alleviated our staff cost outlays to some extent. However, we expect our finance costs will substantially increase for the year ending March 31, 2021 compared with those borne by us during the Track Record Period, as we drew down HK\$250.0 million of new bank borrowings for full settlement of all outstanding amounts due to the immediate holding company in November 2020.

Operational Performance

During the period from August to November 2020, we continued to implement our business expansion strategies, including our cross-border e-commerce initiatives. In an effort to deepen our product penetration in China, we have been in the process of establishing our new Tmall marketplace flagship store (天貓賣場型旗艦店), which we expect to launch in or around the Lunar New Year holidays in 2021. For further details, see the section headed "Business — Sales and Distribution — China — Cross-border e-commerce."

Operationally, we have implemented various measures to reduce the impact of the COVID-19 outbreak on our business (see further details in the section headed "— COVID-19 Outbreak — Operational Impact" above). As of the Latest Practicable Date, we had not received reports of any confirmed or suspected cases of COVID-19 from our employees and had not been required to suspend any of our facilities or operations.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, since July 31, 2020 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects and no event has occurred which would materially and adversely affect the financial information included in the Accountants' Report in Appendix I to this prospectus.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances which would have given rise to any disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules upon Listing.