

The following is the text of a report set out on pages I-1 to I-84, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF JBM (HEALTHCARE) LIMITED AND CHINA GALAXY INTERNATIONAL SECURITIES (HONG KONG) CO., LIMITED

Introduction

We report on the historical financial information of JBM (Healthcare) Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-3 to I-84, which comprises the consolidated statements of financial position of the Group as of March 31, 2018, 2019 and 2020 and July 31, 2020 and the statements of financial position of the Company as of March 31, 2020 and July 31, 2020 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020 (the “**Relevant Periods**”), and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-3 to I-84 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated January 26, 2021 (the “**Prospectus**”) in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants' Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Group's financial position as of March 31, 2018, 2019 and 2020 and July 31, 2020 and the Company's financial position as of March 31, 2020 and July 31, 2020 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the four months ended July 31, 2019 and other explanatory information (the "**Stub Period Corresponding Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 9 to the Historical Financial Information which states the details of dividends paid in respect of the Relevant Periods.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

January 26, 2021

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

Consolidated statements of profit or loss and other comprehensive income

(Expressed in Hong Kong dollars)

	Note	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)
Revenue	3	264,332	307,515	381,542	68,089	118,770
Cost of sales		(118,143)	(137,830)	(191,363)	(35,649)	(60,357)
Gross profit		146,189	169,685	190,179	32,440	58,413
Other net income	4	2,402	4,240	8,087	2,746	3,937
Selling and distribution expenses		(57,184)	(62,317)	(89,000)	(21,106)	(30,543)
Administrative and other operating expenses		(37,853)	(45,088)	(50,229)	(12,373)	(13,024)
Listing expenses		–	–	(7,189)	–	(4,323)
Profit from operations		53,554	66,520	51,848	1,707	14,460
Finance costs	5(A)	(1,733)	(1,390)	(845)	(300)	(3,073)
Share of profits less losses of associates		–	4,719	2,963	3,228	52
Profit before taxation	5	51,821	69,849	53,966	4,635	11,439
Income tax	6(A)	(7,975)	(10,581)	(9,669)	(866)	(2,935)
Profit for the year/period		43,846	59,268	44,297	3,769	8,504
Other comprehensive income for the year/period						
<i>Item that may be reclassified subsequently to profit or loss, net of nil tax:</i>						
Exchange differences on translation of financial information of operations outside Hong Kong ...		130	(212)	(537)	2	418
Other comprehensive income		130	(212)	(537)	2	418
Total comprehensive income for the year/period		43,976	59,056	43,760	3,771	8,922
Profit attributable to:						
Equity shareholders of the Company		42,379	52,459	41,022	6,189	4,279
Non-controlling interests		1,467	6,809	3,275	(2,420)	4,225
Total profit for the year/period		43,846	59,268	44,297	3,769	8,504
Total comprehensive income attributable to:						
Equity shareholders of the Company		42,509	52,247	40,485	6,191	4,697
Non-controlling interests		1,467	6,809	3,275	(2,420)	4,225
Total comprehensive income for the year/period		43,976	59,056	43,760	3,771	8,922
Earnings per share attributable to equity shareholders of the Company						
Basic and diluted	10	N/A	N/A	N/A	N/A	N/A

Consolidated statements of financial position*(Expressed in Hong Kong dollars)*

	Note	As of March 31,			As of July 31,
		2018	2019	2020	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Property, plant and equipment	11	201,143	187,712	179,665	177,301
Intangible assets	12	599,155	591,774	854,014	864,521
Interest in associates	13	–	142,186	17,959	18,011
Interest in joint ventures	14	–	–	2,500	4,168
Other non-current assets	15	1,903	6,480	6,584	3,156
Other financial assets	18	–	–	36,041	36,041
Deferred tax assets	23	762	1,342	1,355	1,575
		<u>802,963</u>	<u>929,494</u>	<u>1,098,118</u>	<u>1,104,773</u>
Current assets					
Inventories	16	31,359	30,046	63,778	62,954
Trade and other receivables	17	231,142	281,088	129,909	79,572
Current tax recoverable		3,400	1,052	3,641	3,753
Cash and cash equivalents	19	56,856	50,962	72,790	175,721
		<u>322,757</u>	<u>363,148</u>	<u>270,118</u>	<u>322,000</u>
Current liabilities					
Trade and other payables and contract liabilities	20	896,121	1,016,137	85,837	38,737
Bank loans	21	12,878	4,733	–	–
Lease liabilities	22	6,961	7,536	9,025	9,315
Current tax payable		693	3,358	4,998	7,680
		<u>916,653</u>	<u>1,031,764</u>	<u>99,860</u>	<u>55,732</u>
Net current (liabilities)/assets		<u>(593,896)</u>	<u>(668,616)</u>	<u>170,258</u>	<u>266,268</u>
Total assets less current liabilities		<u>209,067</u>	<u>260,878</u>	<u>1,268,376</u>	<u>1,371,041</u>
Non-current liabilities					
Lease liabilities	22	11,663	7,887	6,515	5,473
Amount due to the immediate holding company	20(C)	–	–	440,000	372,933
Deferred tax liabilities	23	76,214	74,881	107,157	105,627
		<u>87,877</u>	<u>82,768</u>	<u>553,672</u>	<u>484,033</u>
NET ASSETS		<u>121,190</u>	<u>178,110</u>	<u>714,704</u>	<u>887,008</u>
CAPITAL AND RESERVES					
Share capital	24	50	81	10	8,490
Reserves	25	97,119	147,559	657,320	839,757
Total equity attributable to equity shareholders of the Company		<u>97,169</u>	<u>147,640</u>	<u>657,330</u>	<u>848,247</u>
Non-controlling interests		24,021	30,470	57,374	38,761
TOTAL EQUITY		<u>121,190</u>	<u>178,110</u>	<u>714,704</u>	<u>887,008</u>

Statements of financial position of the Company

(Expressed in Hong Kong dollars)

	Note	As of March 31, 2020 <u>HK\$'000</u>	As of July 31, 2020 <u>HK\$'000</u>
Non-current asset			
Investment in a subsidiary		8	8
Current assets			
Other receivables		–	6
Amounts due from subsidiaries	17(C)	1,140,209	1,155,566
Cash and cash equivalents		–	97,105
		<u>1,140,209</u>	<u>1,252,677</u>
Current liability			
Amounts due to subsidiaries	20(D)	172,207	162,503
Net current assets		<u>968,002</u>	<u>1,090,174</u>
Total assets less current liability		<u>968,010</u>	<u>1,090,182</u>
Non-current liability			
Amount due to the immediate holding company	20(C)	440,000	372,933
NET ASSETS		<u>528,010</u>	<u>717,249</u>
CAPITAL AND RESERVES			
Share capital	24	10	8,490
Reserves	25	528,000	708,759
TOTAL EQUITY		<u>528,010</u>	<u>717,249</u>

Consolidated statements of changes in equity

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company							
	Share capital	Share premium	Capital reserve	Exchange reserve	Retained earnings	Total	Non-controlling interests	Total equity
	(note 24)	(note 25(A))	(note 25(B))	(note 25(C))				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At April 1, 2017	40	6,483	(60,596)	(298)	106,164	51,793	22,914	74,707
Profit for the year	-	-	-	-	42,379	42,379	1,467	43,846
Other comprehensive income	-	-	-	130	-	130	-	130
Total comprehensive income for the year	-	-	-	130	42,379	42,509	1,467	43,976
Deemed contribution (note 25(D))	10	-	-	-	2,857	2,867	-	2,867
Dividends paid by subsidiaries attributable to non-controlling interests	-	-	-	-	-	-	(360)	(360)
	10	-	-	130	45,236	45,376	1,107	46,483
At March 31, 2018	50	6,483	(60,596)	(168)	151,400	97,169	24,021	121,190
At April 1, 2018	50	6,483	(60,596)	(168)	151,400	97,169	24,021	121,190
Profit for the year	-	-	-	-	52,459	52,459	6,809	59,268
Other comprehensive income	-	-	-	(212)	-	(212)	-	(212)
Total comprehensive income for the year	-	-	-	(212)	52,459	52,247	6,809	59,056
Deemed contribution/ (distribution) (note 25(D))	31	-	-	-	(1,807)	(1,776)	-	(1,776)
Dividends paid by subsidiaries attributable to non-controlling interests	-	-	-	-	-	-	(360)	(360)
	31	-	-	(212)	50,652	50,471	6,449	56,920
At March 31, 2019	81	6,483	(60,596)	(380)	202,052	147,640	30,470	178,110

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Exchange reserve	Retained earnings	Total			
	(note 24) HK\$'000	(note 25(A)) HK\$'000	(note 25(B)) HK\$'000	(note 25(C)) HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At April 1, 2019	81	6,483	(60,596)	(380)	202,052	147,640	30,470	178,110	
Profit for the year	-	-	-	-	41,022	41,022	3,275	44,297	
Other comprehensive income	-	-	-	(537)	-	(537)	-	(537)	
Total comprehensive income for the year	-	-	-	(537)	41,022	40,485	3,275	43,760	
Deemed contribution (note 25(D))	-	-	-	-	4,545	4,545	-	4,545	
Acquisition of subsidiaries (note 26)	-	-	-	-	-	-	23,989	23,989	
Dividends declared (note 9)	-	-	-	-	(66,000)	(66,000)	-	(66,000)	
Dividends paid by subsidiaries attributable to non-controlling interests	-	-	-	-	-	-	(360)	(360)	
Issuance of new shares	1	-	-	-	-	1	-	1	
Reorganization (Note)	(72)	530,731	-	-	-	530,659	-	530,659	
	(71)	530,731	-	(537)	(20,433)	509,690	26,904	536,594	
At March 31, 2020	10	537,214	(60,596)	(917)	181,619	657,330	57,374	714,704	
At April 1, 2020	10	537,214	(60,596)	(917)	181,619	657,330	57,374	714,704	
Profit for the period	-	-	-	-	4,279	4,279	4,225	8,504	
Other comprehensive income	-	-	-	418	-	418	-	418	
Total comprehensive income for the period	-	-	-	418	4,279	4,697	4,225	8,922	
Deemed distribution (note 25(D))	-	-	-	-	(138)	(138)	-	(138)	
Dividends declared by subsidiaries attributable to non-controlling interests	-	-	-	-	-	-	(3,480)	(3,480)	
Capitalization of amount due to the immediate holding company	-	-	70,000	-	-	70,000	-	70,000	
Capitalization Issue	7,210	(7,210)	-	-	-	-	-	-	
Issuance of new shares and acquisition of non-controlling interests	1,270	125,730	(10,642)	-	-	116,358	(19,358)	97,000	
	8,480	118,520	59,358	418	4,141	190,917	(18,613)	172,304	
At July 31, 2020	8,490	655,734	(1,238)	(499)	185,760	848,247	38,761	887,008	
At April 1, 2019	81	6,483	(60,596)	(380)	202,052	147,640	30,470	178,110	
Profit for the period (unaudited)	-	-	-	-	6,189	6,189	(2,420)	3,769	
Other comprehensive income (unaudited)	-	-	-	2	-	2	-	2	
Total comprehensive income for the period (unaudited)	-	-	-	2	6,189	6,191	(2,420)	3,771	
Deemed contribution (note 25(D)) (unaudited)	-	-	-	-	438	438	-	438	
Dividends declared (note 9) (unaudited)	-	-	-	-	(66,000)	(66,000)	-	(66,000)	
	-	-	-	2	(59,373)	(59,371)	(2,420)	(61,791)	
At July 31, 2019 (unaudited)	81	6,483	(60,596)	(378)	142,679	88,269	28,050	116,319	

Note: The amounts represent the transfer of Relevant Businesses to the Company under the Reorganization (see note 1) and issuance and allotment of shares to JBM Group (BVI) Limited settled by setting-off the Company's amount due to the immediate holding company (see note 24).

Consolidated cash flow statements*(Expressed in Hong Kong dollars)*

	Note	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)
Operating activities						
Cash generated from operations	19(B)	93,983	64,319	56,046	19,623	29,550
Income tax paid		(11,679)	(7,405)	(17,761)	(23)	(2,115)
Net cash generated from operating activities		<u>82,304</u>	<u>56,914</u>	<u>38,285</u>	<u>19,600</u>	<u>27,435</u>
Investing activities						
Payment for purchase of property, plant and equipment and intangible assets		(10,562)	(9,135)	(4,523)	(1,421)	(15,928)
Proceeds from disposals of property, plant and equipment		125	467	11	–	–
(Increase)/decrease in amounts due from fellow subsidiaries		(49,881)	(28,435)	42,516	(13,648)	38
Payment for acquisition of an associate		–	(18,817)	–	–	–
Net cash inflow from acquisition of subsidiaries	26	–	–	5,260	–	–
Payment for investment in a joint venture		–	–	–	–	(1,668)
Interest received		–	23	138	12	94
Net cash (used in)/generated from investing activities		<u>(60,318)</u>	<u>(55,897)</u>	<u>43,402</u>	<u>(15,057)</u>	<u>(17,464)</u>
Financing activities						
Capital element of lease rentals paid		(7,478)	(7,978)	(10,297)	(2,697)	(3,767)
Interest element of lease rentals paid		(750)	(575)	(495)	(152)	(140)
Repayment of bank loans		(13,370)	(8,145)	(4,733)	(4,733)	–
(Decrease)/increase in amounts due to fellow subsidiaries		(4,230)	11,634	(34,699)	(6,971)	(1,127)
Decrease/(increase) in amount due from an intermediate holding company		3,073	12,701	(1,009)	(1,114)	10,963
Increase/(decrease) in amounts due to an intermediate holding company		8,733	(13,550)	(7,682)	6,942	(9,187)
Other borrowing costs paid		(753)	(426)	(45)	(45)	–
Dividends paid to non-controlling interests		(360)	(360)	(360)	–	(1,200)
Issuance of new shares		–	–	–	–	97,000
Net cash (used in)/generated from financing activities		<u>(15,135)</u>	<u>(6,699)</u>	<u>(59,320)</u>	<u>(8,770)</u>	<u>92,542</u>
Net increase/(decrease) in cash and cash equivalents		<u>6,851</u>	<u>(5,682)</u>	<u>22,367</u>	<u>(4,227)</u>	<u>102,513</u>
Cash and cash equivalents at the beginning of the year/period		<u>49,875</u>	<u>56,856</u>	<u>50,962</u>	<u>50,962</u>	<u>72,790</u>
Effect of foreign exchange rate changes		<u>130</u>	<u>(212)</u>	<u>(539)</u>	<u>2</u>	<u>418</u>
Cash and cash equivalents at the end of the year/period	19(A)	<u><u>56,856</u></u>	<u><u>50,962</u></u>	<u><u>72,790</u></u>	<u><u>46,737</u></u>	<u><u>175,721</u></u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

JBM (Healthcare) Limited (the “**Company**”) was incorporated in the Cayman Islands on January 7, 2020 as an exempted company with limited liability under the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands.

The intermediate holding company is Jacobson Pharma Corporation Limited (“**JPCL**”) which is a company incorporated in the Cayman Islands with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in manufacturing and trading of branded medicines products, health and wellness products and proprietary Chinese medicines, collectively referred to as the “**Relevant Businesses**.”

The Relevant Businesses were carried out by the Group upon completion of a group reorganization (“**Reorganization**”) on July 30, 2020. Prior to the Reorganization, the Relevant Businesses of the Group were carried out by several subsidiaries owned by Jacobson Pharma Group (BVI) Limited, which is a company incorporated in the British Virgin Islands (“**BVI**”) and a wholly-owned subsidiary of JPCL. Certain subsidiaries engaged in the Relevant Businesses were also engaged in other economic activities apart from the Relevant Businesses, which the directors of the Company (“**Directors**”) considered to be objectively distinguishable (the “**Excluding Businesses**”).

To rationalize the corporate structure in preparation of the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited, the Group underwent Reorganization, as more fully explained in the section headed “History, Reorganization and Corporate Structure” in the Prospectus.

Pursuant to the Reorganization, the companies that took part in the Reorganization were controlled by JPCL, prior to and after the Reorganization. The control is not transitional and, consequently, there was a continuation of the risks and benefits to JPCL. Therefore, the Reorganization is considered as a business combination of entities and businesses under common control. The Historical Financial Information has been prepared using the merger basis of accounting as if the companies and businesses now comprising the Group have been consolidated at the beginning of the Relevant Periods 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 are consolidated using the existing book values from JPCL’s perspective.

The consolidated statements of profits or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group include the consolidated results of operations of the companies and businesses now comprising the Group for the Relevant Periods (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 Relevant Periods and as if the Relevant Businesses were transferred to the Group at the beginning of the earliest period presented or when such businesses were established, whichever is the shorter period, but exclude the Excluding Businesses which is not part of the Group pursuant to the Reorganization. The consolidated statements of financial position of the Group as of March 31, 2018, 2019 and 2020 and July 31, 2020 have been prepared to present the state of affairs of the Group as of the respective dates as if the Reorganization had occurred at the beginning of the Relevant Periods.

During the Relevant Periods, for those subsidiaries which engaged in both the Relevant Businesses and Excluding Businesses, a process has been completed to specifically identify assets, liabilities, revenue, expenses and cash flows associated with the Relevant Businesses in preparing the Historical Financial Information. The Historical Financial Information only includes transactions and balances

attributable to the Relevant Businesses. Transactions and balances were attributed to the Relevant Businesses based on specific identification except for those set out below, for which allocations were made based on the most relevant allocation bases in the views of the Directors:

- Staff costs have been principally allocated either based on headcount to the extent a separate group of personnel could be specifically identified and attributed to the Relevant Businesses, or otherwise allocated based on revenue; and
- Overhead expenses, selling expenses and administrative expenses have been principally allocated based on revenue as appropriate, except for some specifically identifiable expenses, for example, advertising and promotion expenses.

The Company believes the basis of preparation described above results in the Historical Financial Information reflecting the assets and liabilities associated with the Relevant Businesses and reflects costs and expenses associated with the functions that would be necessary to operate independently.

As of the date of this report, no audited financial statements have been prepared for the Company, as it has not carried on any business since the date of incorporation and is not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

Upon completion of the Reorganization and as of the date of this report, the Company has direct or indirect interests in the following principal subsidiaries, all of which are private companies:

Name of company	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital/shares	Proportion of ownership interest		Principal activities	Statutory financial statements	
			held by the Company	held by a subsidiary		Statutory auditors	Notes
Carewell Pharma Limited . . .	Hong Kong August 28, 2014	10,000 ordinary shares	–	100%	Sales of healthcare and herbal products	KPMG	(f)
Concept One Inc.	BVI October 26, 2016	1,000 ordinary shares	–	100%	Investment holding	–	(b)
Elegant Point Inc.	BVI May 22, 2019	1,000 ordinary shares	–	100%	Investment holding	–	(b)
Emperor Kangxi (HK) Pharmaceutical Limited . . .	Hong Kong November 25, 2013	10,000 ordinary shares	–	100%	Sales of healthcare and herbal products	KPMG	(f)
Europharm Laboratoires (Hong Kong) Company Limited	Hong Kong September 12, 2019	10,000 ordinary shares	–	100%	Manufacturing and sales of Chinese medicines	KPMG	(i)
Excel Business Inc.	BVI January 5, 2017	1,000 ordinary shares	–	100%	Investment holding	–	(b)
Five Ocean Inc.	BVI October 12, 2018	1,000 ordinary shares	–	100%	Investment holding	–	(b)
Golden Jade Finance Limited	BVI June 2, 2008	1,000 ordinary shares	–	100%	Investment holding	–	(b)
Golden Man Corporation	BVI July 26, 2019	1,000 ordinary shares	–	100%	Investment holding	–	(b)

Name of company	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital/shares	Proportion of ownership interest		Principal activities	Statutory financial statements	
			held by the Company	held by a subsidiary		Statutory auditors	Notes
Happy Echo Limited	Seychelles September 5, 2016	100 ordinary shares	–	100%	Investment holding	–	(b)
Ho Chai Kung Medicine Manufactory Limited	Hong Kong September 23, 1966	10,000 ordinary shares	–	100%	Manufacturing and sales of pharmaceutical products	KPMG	(f)
Hong Kong Premier Concentrated Chinese Herbs Limited ("PCCH")	Hong Kong March 26, 2003	100 ordinary shares	–	88%	Trading, wholesaling and retailing of Chinese medicine	New Choice C.P.A. & Company/ KPMG	(d) and (g)
Jacobson Medical (Hong Kong) Limited ("JML")	Hong Kong October 15, 1996	26,628,000 ordinary shares	–	100%	Trading of medical supplies and pharmaceutical products	KPMG	(f)
Jacobson Medical Holdings (BVI) Limited	BVI March 19, 2008	100 ordinary shares	–	100%	Investment holding	–	(b)
Janker Limited	Hong Kong July 2, 1991	10,000 ordinary shares	–	100%	Trading of Chinese medicines	KPMG	(f)
Janson Holdings Limited	BVI January 2, 2014	1,000 ordinary shares	–	100%	Investment holding	–	(b)
JBM (BVI) Limited	BVI January 15, 2020	1,000 ordinary shares	100%	–	Investment holding	–	(b)
JBM (China) Limited	BVI April 17, 2020	1,000 ordinary shares	–	100%	Investment holding	–	(b)
JBM Investments Limited	Hong Kong January 23, 2020	10,000 ordinary shares	–	100%	Investment holding	–	(c)
JBM Management Limited	Hong Kong July 4, 2019	10,000 ordinary shares	–	100%	Provision of management services to group companies	KPMG	(i)
JBM (PCM) Limited	BVI February 12, 2020	1,000 ordinary shares	–	100%	Investment holding	–	(b)
JBM Research Laboratory Limited	Hong Kong February 25, 2020	10,000 ordinary shares	–	100%	Research and development	–	(c)

Name of company	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital/shares	Proportion of ownership interest		Principal activities	Statutory financial statements	
			held by the Company	held by a subsidiary		Statutory auditors	Notes
JBM Treasury Limited	Hong Kong January 23, 2020	10,000 ordinary shares	–	100%	Provision of treasury services to group companies	–	(c)
Jetstar Company Limited	Hong Kong October 8, 1991	10,000 ordinary shares	–	100%	Manufacturing and sales of Chinese medicines	KPMG	(f)
Jolly Harvest Inc.	BVI June 18, 2019	1,000 ordinary shares	–	100%	Investment holding	–	(b)
Karen Pharmaceutical Company Limited	Hong Kong December 10, 1982	100,000 ordinary shares	–	100%	Manufacturing and sales of pharmaceutical products	KPMG	(f)
Kind Hearts Limited	BVI March 28, 2018	1,000 ordinary shares	–	100%	Investment holding	–	(b)
Li Chung Shing Tong (Holdings) Limited	Hong Kong January 8, 1988	500,000 ordinary shares	–	64%	Manufacturing and sales of Chinese medicines	KPMG	(f)
Li Chung Shing Tong (S) Pte Ltd	Singapore April 5, 2001	50,000 ordinary shares at S\$1 each	–	100%	Trading of Chinese medicines	M E Lim & Co	(h)
Li Chung Shing Tong (Trading) Limited	Hong Kong August 21, 2013	10,000 ordinary shares	–	64%	Trading of Chinese medicines	KPMG	(f)
Ling Chi Medicine (H.K.) Limited	Hong Kong January 25, 2017	10,000 ordinary shares	–	100%	Manufacturing and sales of pharmaceutical products and Chinese medicines	KPMG	(f)
Mighty Century Limited	Hong Kong January 19, 2018	10,000 ordinary shares	–	100%	Investment holding	KPMG	(a)
Orizen Capital Limited	BVI June 6, 2018	98 ordinary shares	–	88%	Investment holding	–	(b) and (d)
PCHT Herbal Sciences Limited	BVI January 29, 2008	1,000 ordinary shares	–	100%	Investment holding	–	(b)

Name of company	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital/shares	Proportion of ownership interest		Principal activities	Statutory financial statements	
			held by the Company	held by a subsidiary		Statutory auditors	Notes
Perfect Green Inc.	BVI January 22, 2020	1,000 ordinary shares	–	100%	Investment holding	–	(b)
Po Chai Herbal Technology Limited	Cayman Islands October 13, 2000	6,108 ordinary shares	–	100%	Investment holding	–	(b)
Quinwood Limited	Channel Islands August 17, 1987	1,000 ordinary shares, US\$10 each	–	100%	Granting of licensing rights for sales of Chinese medicines	KPMG	(f)
Sampan Development Limited	BVI March 28, 2018	1,000 ordinary shares	–	100%	Investment holding	–	(b)
Singmalay Company Limited	Hong Kong July 29, 1998	10,000 ordinary shares	–	100%	Manufacturing and sales of Chinese medicines	KPMG	(f)
Smiley Sun Limited	BVI March 28, 2018	1,000 ordinary shares	–	100%	Investment holding	–	(b)
Tong Tai Chung Herbs Medicine Manufacturing Limited	Hong Kong September 19, 1997	10,000 ordinary shares	–	100%	Inactive	KPMG	(f)
Victor Luck Limited	BVI September 21, 2010	100 ordinary shares	–	100%	Investment holding	–	(b)
Vincents Pharma Trading Company Limited	Hong Kong November 17, 1981	100,000 ordinary shares	–	100%	Trading of pharmaceutical products	KPMG	(f)
廣東雅各臣藥業有限公司 (Jacobson Medical (Guangdong) Company Limited)*	The People's Republic of China (the "PRC" or "China") August 21, 2018	RMB3,999,987	–	100%	Sales of healthcare products	GD Convergence CPA Co. Ltd. (廣東致合會計師事務所有限公司)	(e)

* Registered under the law of the PRC as wholly foreign-owned enterprise.

Notes:

- (a) The statutory financial statements of this subsidiary for the years ended March 31, 2019 and 2020 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and audited by KPMG.
- (b) No audited financial statements have been prepared for this subsidiary as it was not subject to statutory audit requirements under the rules and regulations in the jurisdiction of incorporation.
- (c) No audited financial statements have been prepared for this subsidiary as it was newly incorporated in 2020.
- (d) The subsidiary was acquired on August 6, 2019 (see note 26).

- (e) This subsidiary adopts December 31 as its financial year end date. The statutory financial statements of this subsidiary for the period from August 21, 2018 (date of incorporation) to December 31, 2018 and for the year ended December 31, 2019 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC and audited by GD Convergence CPA Co. Ltd. (廣東致合會計師事務所有限公司).
- (f) The statutory financial statements of this subsidiary for the years ended March 31, 2018, 2019 and 2020 were prepared in accordance with HKFRSs and audited by KPMG.
- (g) The statutory financial statements of this subsidiary for the years ended March 31, 2018, 2019 were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standards and audited by New Choice C.P.A. & Company. The statutory financial statements of this subsidiary for the year ended March 31, 2020 were prepared in accordance with HKFRSs and audited by KPMG.
- (h) The statutory financial statements of this subsidiary for the years ended March 31, 2018 and 2019 and 2020 were prepared in accordance with Singapore Financial Reporting Standards and audited by M E Lim & Co.
- (i) The statutory financial statements of this subsidiary for the period from date of incorporation to March 31, 2020 were prepared in accordance with HKFRSs and audited by KPMG.

All companies comprising the Group, except for the subsidiary described in note (e) above, have adopted March 31 as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). Further details of the significant accounting policies adopted are set out in note 2.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Group has consistently adopted all applicable new and revised HKFRSs to the Relevant Periods, including HKFRS 9, *Financial Instruments*, HKFRS 15, *Revenue from Contracts with Customers* and HKFRS 16, *Leases*, throughout the Relevant Periods. The Group has not applied any new and revised accounting standards and interpretations that are issued but not yet effective for the Relevant Periods are set out in note 34.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The Historical Financial Information are presented in Hong Kong dollars (“HK\$”) and prepared on the historical cost basis except that the other equity investment is stated at its fair value as explained in note 2(g).

(b) Use of estimates and judgments

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

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

Judgments made by management in the application of HKFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in note 32.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The results of subsidiaries are included in the Historical Financial Information from the date that control commences until the date that control ceases. Merger accounting is adopted for common control combinations (see below) in which all of the combining entities are ultimately controlled by the same controlling shareholder both before and after the business combination and that control is not transitory.

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

Business combinations arising from transfers of interests in entities that are under the control of the same shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognized at the carrying amounts from the controlling shareholder's perspective. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded are recognized directly in equity as part of the other reserve.

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

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

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year/period between non-controlling interests and the shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statements of financial position in accordance with notes 2(n) or 2(o) depending on the nature of the liability.

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see note 2(d)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(k)(ii)).

(d) Associates and joint ventures

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

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

An investment in an associate or a joint venture is accounted for in the Historical Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(f) and 2(k)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year/period are recognized in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the expected credit loss ("ECL") model to such other long-term interests where applicable (see note 2(k)(i)).

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

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

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

(e) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see note 2(c)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see note 2(k)(ii)). Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

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

Any contingent consideration is measured at fair value at the date of acquisition. Contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

(f) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as of the acquisition date.

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

Goodwill is stated at cost less accumulated impairment losses (see note 2(k)(ii)). Goodwill arising on a business combination is allocated to cash generating units, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(k)(ii)).

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

(g) Other investments in equity securities

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

Investments in equity securities are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 27(E). The investment is subsequently accounted for as follows, depending on their classification.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at fair value through other comprehensive income ("FVOCI") (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified at FVPL or FVOCI, are recognized in profit or loss as other income in accordance with the policy set out in note 2(t)(iv).

(h) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(k)(ii)).

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

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

- Leasehold land is depreciated over the unexpired term of lease.
- Buildings leased for own use are depreciated over the term of lease.
- Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.
- Machinery and equipment 5-20 years
- Furniture, fixtures and office equipment 4-20 years
- Motor vehicles 5 years
- Leasehold improvements Shorter of the lease term or 10-20 years

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

(i) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see note 2(k)(ii)). Amortization of intangible assets with finite lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

- Unpatented drugs 30 years
- Customer relationship 15-20 years
- Distribution rights over the distribution agreement term of 3-10 years

Unpatented drugs mainly represent the formulations and manufacturing know-how of products. In estimating the useful life of 30 years, management considered factors including the characteristics of the products, market dynamics and product life cycle of similar products of the Group. Management also made reference to market comparable in the purchase price allocation analysis performed at the respective acquisition dates by an external independent valuer.

Customer relationships mainly represent the steady and loyal customer network. In estimating the useful life of 15 to 20 years, management considered the nature of the customers and their historical and expected future attrition pattern. Management also made reference to market comparable in the purchase price allocation analysis performed at the respective acquisition dates by an external independent valuer.

Both the period and method of amortization are reviewed annually.

Club memberships and trademarks which useful lives are assessed to be indefinite, are not amortized and are stated at cost less impairment losses (see note 2(k)(ii)). Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortization of intangible assets with finite lives as set out above.

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if it can be demonstrated that the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. Other development expenditure is recognized as an expense in the period in which it is incurred.

(j) Leased assets

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

As a lessee

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

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. For the Group, low-value assets are typically office furniture. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

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

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(h) and 2(k)(ii)).

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

The Group presents right-of-use assets in "property, plant and equipment" and presents lease liabilities separately in the consolidated statements of financial position.

(k) Credit losses and impairment of assets***(i) Credit losses from financial instruments***

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

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

Measurement of ECLs

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

The expected cash shortfalls for trade and other receivables are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

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

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

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

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

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making the assessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

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

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

Basis of calculation of interest income

Interest income recognized in accordance with note 2(t)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

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

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

Write-off policy

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

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

(ii) Impairment of other non-current assets

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

- property, plant and equipment, including right-of-use assets;
- intangible assets;
- goodwill;
- investment in a subsidiary in the Company's statement of financial position; and
- investments in associates and joint ventures accounted for under the equity method (see note (2)(d)).

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

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(iii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “**holder**”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognized within “trade and other payables” at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss.

Subsequent to initial recognition, the amount initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognizes a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in “trade and other payables” in respect of the guarantees (i.e. the amount initially recognized, less accumulated amortization).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(k)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(l) Inventories

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

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

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

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

(m) Trade and other receivables

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

Receivables are stated at amortized cost using the effective interest method less allowance for credit losses (see note 2(k)(i)).

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with the Group's accounting policy for borrowing costs (see note 2(v)).

(o) Trade and other payables and contract liabilities

(i) Trade and other payables

Trade and other payables are initially recognized at fair value and are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(ii) Contract liabilities

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see note 2(t)). A contract liability would also be recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized (see note 2(m)).

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statements. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 2(k)(i).

(q) Employee benefits

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

(r) Income tax

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

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

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

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

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

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

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

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

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

(s) Provisions and contingent liabilities

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

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

(t) Revenue and other income

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

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

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of goods

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

(ii) Commission income

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

(iii) Interest income

Interest income is recognized as it accrues under the effective interest method. For financial assets measured at amortized cost, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortized cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(k)(i)).

(iv) Dividends

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

(v) Government grants

Government grants are recognized in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(u) Translation of foreign currencies

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

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

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

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

(v) Borrowing costs

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

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

(w) Related parties

- (1) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (2) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (1).
 - (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(x) Segment reporting

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

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

3 REVENUE AND SEGMENT REPORTING

(A) Revenue

The principal activities of the Group are manufacturing and trading of proprietary medicines and distributing health and wellness products. All the revenue for the Relevant Periods is recognized in accordance with HKFRS 15. The Group has applied practical expedient in paragraph 121 of HKFRS 15 to its sales contracts and does not disclose information about remaining performance obligations that have original expected duration of one year or less.

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

(B) Segment reporting

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

- Proprietary Chinese medicines: this segment develops, manufactures and distributes registered Chinese medicines composed solely of any Chinese herbal medicines specified in the Chinese Medicine Ordinance, or any materials of herbal, animal or mineral origin customarily or widely used by the Chinese. Currently the activities in this regard are primarily carried out in Hong Kong.
- Branded medicines: this segment develops, manufactures and distributes branded medicines with chemical compounds as active ingredients. Currently the activities in this regard are primarily carried out in Hong Kong.
- Health and wellness products: this segment distributes and sells supplements, medical consumables and other non-pharmaceutical products for the general health and wellness of consumers. Currently the activities in this regard are primarily carried out in Hong Kong.

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

The measure used for reporting segment profit is gross profit.

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

No inter-segment sales have occurred during the Relevant Periods.

(i) Segment revenue and results

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

	Proprietary Chinese medicines				Branded medicines				Health and wellness products				Total							
	Year ended March 31,		Four months ended July 31,		Year ended March 31,		Four months ended July 31,		Year ended March 31,		Four months ended July 31,		Year ended March 31,		Four months ended July 31,					
	2019	2020	2019	2020	2018	2019	2020	2019	2020	2018	2019	2020	2019	2020	2019	2020				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000				
Revenue from external customers and reportable segment revenue recognized at a point in time	119,143	145,255	184,009	23,137	63,905	119,331	128,833	142,215	33,211	30,824	25,858	33,427	55,318	11,741	24,041	264,332	307,515	381,542	68,089	118,770
Reportable segment gross profit	45,120	62,586	67,217	4,389	29,475	86,889	92,741	100,543	22,805	19,438	14,180	14,358	22,419	5,246	9,500	146,189	169,685	190,179	32,440	58,413
									(Unaudited)					(Unaudited)					(Unaudited)	

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

	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)	
Revenue					
Reportable segment revenue and consolidated revenue	264,332	307,515	381,542	68,089	118,770
Profit					
Reportable segment gross profit	146,189	169,685	190,179	32,440	58,413
Other net income	2,402	4,240	8,087	2,746	3,937
Selling and distribution expenses	(57,184)	(62,317)	(89,000)	(21,106)	(30,543)
Administrative and other operating expenses	(37,853)	(45,088)	(50,229)	(12,373)	(13,024)
Listing expenses	–	–	(7,189)	–	(4,323)
Finance costs	(1,733)	(1,390)	(845)	(300)	(3,073)
Share of profits less losses of associates	–	4,719	2,963	3,228	52
Consolidated profit before taxation	51,821	69,849	53,966	4,635	11,439

(iii) Geographic information

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

	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)	
Revenue from external customers					
Hong Kong (place of domicile)	214,398	233,586	285,589	53,916	104,110
Macau	20,514	25,405	40,890	5,235	4,359
Mainland China	11,985	18,216	23,460	–	–
Singapore	6,924	9,932	12,237	2,579	1,700
Others	10,511	20,376	19,366	6,359	8,601
	264,332	307,515	381,542	68,089	118,770

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

	As at March 31,			As of July 31,
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Specified non-current assets				
Hong Kong (place of domicile)	802,201	909,697	1,042,763	1,047,478
Mainland China	–	18,455	17,959	19,679
	<u>802,201</u>	<u>928,152</u>	<u>1,060,722</u>	<u>1,067,157</u>

(iv) *Information about major customers*

For the years ended March 31, 2018, 2019 and 2020 and four months ended July 31, 2019 and 2020, the Group's customer base includes one, one, Nil, Nil (unaudited) and one customer of proprietary Chinese medicines and branded medicines segments with whom transactions have exceeded 10% of the Group's revenue respectively. Revenue from sales of proprietary Chinese medicines and branded medicines to this customer amounted to approximately HK\$27,897,000, and HK\$37,088,000 and HK\$27,820,000 for the years ended March 31, 2018 and 2019 and four months ended July 31, 2020 respectively.

4 OTHER NET INCOME

	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	1,366	1,346	548	364
Interest income from a fellow subsidiary	1,148	2,269	5,754	1,918	–
Interest income from bank deposit	–	23	138	12	94
Government grants (note (i))	–	–	–	–	3,374
Net foreign exchange (loss)/gain	(38)	(77)	139	85	(73)
Net gain/(loss) on disposals of property, plant and equipment	57	–	(235)	(33)	(172)
Others	287	659	945	216	350
	<u>2,402</u>	<u>4,240</u>	<u>8,087</u>	<u>2,746</u>	<u>3,937</u>

Note (i): In 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Special Administrative Region Government ("Hong Kong SAR Government"). The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period (i.e. June to August 2020) and to spend all the funding on paying wages to the employees. The Group received HK\$5,061,000 funding support during the four months ended July 31, 2020. HK\$3,374,000 was recognized as "other net income" and HK\$1,687,000 was recognized as deferred income included in "Other payables and accruals" as of July 31, 2020.

	Year ended March 31,			Four months ended July 31,	
	2018	2019	2020	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(C) Other items				(Unaudited)	
Depreciation (note 11)					
– owned property, plant and equipment	13,677	12,924	12,930	4,298	4,343
– right-of-use assets	7,744	8,127	10,447	2,703	3,770
	21,421	21,051	23,377	7,001	8,113
Amortization cost of intangible assets (note 12)	8,399	8,629	12,485	2,945	5,945
Auditors' remuneration					
– audit services	1,269	1,162	1,371	437	470
– other services	228	253	318	80	72
Listing expenses	–	–	7,189	–	4,323
Impairment losses on trade receivables	–	2,600	–	–	–
Cost of inventories [#]	118,143	137,830	191,363	35,649	60,357

[#] Cost of inventories includes HK\$45,805,000, HK\$46,461,000, HK\$46,905,000, HK\$15,485,000 (unaudited) and HK\$16,130,000 for the years ended March 31, 2018, 2019 and 2020 and four months ended July 31, 2019 and 2020, relating to staff costs and depreciation and amortization expenses, which amount is also included in the respective total amounts disclosed separately above or in note 5(B) for each of these types of expenses.

6 INCOME TAX

(A) Income tax in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended March 31,			Four months ended July 31,	
	2018	2019	2020	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				(Unaudited)	
Provision for the year/period	8,805	12,483	13,276	1,557	4,695
Under/(over)-provision in respect of prior years/periods	139	11	50	58	(10)
	8,944	12,494	13,326	1,615	4,685
Deferred tax					
Origination and reversal of temporary differences (note 23(A))	(969)	(1,913)	(3,657)	(749)	(1,750)
	7,975	10,581	9,669	866	2,935

(B) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended March 31,			Four months ended July 31,	
	2018	2019	2020	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Profit before taxation.....	51,821	69,849	53,966	4,635	11,439
Notional tax on profit before taxation calculated at the rate applicable to profits in the tax jurisdiction concerned.....	8,551	11,529	8,905	766	1,886
Effect of non-deductible expenses	251	310	1,778	164	1,398
Effect of non-taxable income	(167)	(287)	(483)	(176)	(599)
Effect of tax concessions obtained	(188)	(81)	–	–	–
Effect of temporary differences not recognized	(611)	(122)	(92)	587	269
Profits and losses attributable to associates.....	–	(779)	(489)	(533)	(9)
Under/(over)-provision in prior years/periods.....	139	11	50	58	(10)
Actual tax expense	<u>7,975</u>	<u>10,581</u>	<u>9,669</u>	<u>866</u>	<u>2,935</u>

Notes:

- (i) Pursuant to the tax rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands. The provision for Hong Kong Profits Tax for the Relevant Periods is calculated at 16.5% of the estimated assessable profits for the year.
- (ii) Income tax for entities incorporated in other jurisdictions is charged at the appropriate rates of taxation ruling in the relevant jurisdictions.

7 DIRECTORS' EMOLUMENTS

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

	Year ended March 31, 2018				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors					
Wong Yat Wai, Patrick	–	–	–	–	–
Dr. Chu Ka Wing	–	1,117	–	13	1,130
Non-executive directors					
Sum Kwong Yip, Derek	–	–	–	–	–
Yim Chun Leung	–	–	–	–	–
Yeung Kwok Chun, Harry	–	–	–	–	–
	<u>–</u>	<u>1,117</u>	<u>–</u>	<u>13</u>	<u>1,130</u>

Year ended March 31, 2019

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors					
Wong Yat Wai, Patrick	—	—	—	—	—
Dr. Chu Ka Wing	—	1,315	168	14	1,497
Non-executive directors					
Sum Kwong Yip, Derek	—	—	—	—	—
Yim Chun Leung	—	—	—	—	—
Yeung Kwok Chun	—	—	—	—	—
	—	1,315	168	14	1,497

Year ended March 31, 2020

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors					
Wong Yat Wai, Patrick	—	2,070	1,226	18	3,314
Dr. Chu Ka Wing	—	1,800	240	18	2,058
Non-executive directors					
Sum Kwong Yip, Derek	—	—	—	—	—
Yim Chun Leung	—	—	—	—	—
Yeung Kwok Chun	—	—	—	—	—
	—	3,870	1,466	36	5,372

Four months ended July 31, 2019 (Unaudited)

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors					
Wong Yat Wai, Patrick	—	680	—	6	686
Dr. Chu Ka Wing	—	560	—	6	566
Non-executive directors					
Sum Kwong Yip, Derek	—	—	—	—	—
Yim Chun Leung	—	—	—	—	—
Yeung Kwok Chun, Harry	—	—	—	—	—
	—	1,240	—	12	1,252

Four months ended July 31, 2020

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors					
Wong Yat Wai, Patrick	–	789	–	6	795
Dr. Chu Ka Wing	–	593	–	6	599
Non-executive directors					
Sum Kwong Yip, Derek	–	–	–	–	–
Yim Chun Leung	–	–	–	–	–
Yeung Kwok Chun, Harry	–	–	–	–	–
	–	1,382	–	12	1,394

The directors of the Company were appointed on the following dates:

Executive directors	Date of appointment
Wong Yat Wai, Patrick	January 7, 2020
Dr. Chu Ka Wing	January 7, 2020
Non-executive directors	Date of appointment
Sum Kwong Yip, Derek	September 22, 2020
Yim Chun Leung	September 22, 2020
Yeung Kwok Chun, Harry	September 22, 2020

In addition to the above, all the executive directors received remuneration (including share option expense for the Share Option Scheme operated by JPCL) from a subsidiary of JPCL during the Relevant Periods in respect of their services to JPCL and its subsidiaries (the “JPCL Group”). Such remuneration was allocated based on the relative gross profit contribution between the Group and the JPCL Group and was included in management fee to a fellow subsidiary as disclosed in note 30(B).

The non-executive directors did not receive any fees, salaries or other compensations during the Relevant Periods.

During the Relevant Periods, there was no amount paid or payable by the Group to the directors or any of the five highest paid individuals as set out in note 8 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director has waived or agreed to waive remuneration during the Relevant Periods.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one, one, two, two (unaudited) and two are directors for the years ended March 31, 2018, 2019 and 2020 and four months ended July 31, 2019 and 2020 respectively whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	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)	
Salaries and other emoluments	3,743	3,645	3,257	1,213	1,370
Discretionary bonuses	236	303	566	–	–
Retirement scheme contributions	72	72	57	52	18
	<u>4,051</u>	<u>4,020</u>	<u>3,880</u>	<u>1,265</u>	<u>1,388</u>

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

	Year ended March 31,			Four months ended July 31,	
	2018	2019	2020	2019	2020
	Number of individuals	Number of individuals	Number of individuals	Number of individuals	Number of individuals
				(Unaudited)	
HK\$Nil – HK\$1,000,000	2	2	–	3	3
HK\$1,000,001 – HK\$1,500,000.....	2	2	3	–	–
	<u>2</u>	<u>2</u>	<u>3</u>	<u>–</u>	<u>–</u>

9 DIVIDENDS

On June 3, 2019, Jacobson Medical Holdings (BVI) Limited declared dividends of HK\$66,000,000 to its intermediate holding company. On November 24, 2017, November 15, 2018, November 14, 2019 and November 11, 2020, Li Chung Shing Tong (Holdings) Limited declared dividends of HK\$360,000, HK\$360,000, HK\$360,000 and HK\$360,000 to its non-controlling interests respectively. On May 29 and July 28, 2020, Orizen Capital Limited declared dividends of HK\$2,280,000 and HK\$1,200,000 to its non-controlling interests respectively. The rate of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the basis of preparation of the Historical Financial Information as disclosed in note 1.

10 EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion for the purpose of this report is not considered meaningful due to the Reorganization and preparation of the results of the Group for the Relevant Periods on the basis as disclosed in note 1.

11 PROPERTY, PLANT AND EQUIPMENT

(A) Reconciliation of carrying amount

	Leasehold land	Buildings	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvements	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:							
At April 1, 2017 ..	3,399	109,906	47,794	54,048	3,609	3,128	221,884
Additions	–	10,870	11,814	1,661	491	252	25,088
Disposals	–	–	(4,106)	(306)	(1,028)	–	(5,440)
At March 31, 2018	3,399	120,776	55,502	55,403	3,072	3,380	241,532
Accumulated depreciation:							
At April 1, 2017 ..	820	3,245	9,859	6,511	2,556	1,349	24,340
Charge for the year	91	10,337	5,418	4,508	660	407	21,421
Written back on disposals	–	–	(4,101)	(243)	(1,028)	–	(5,372)
At March 31, 2018	911	13,582	11,176	10,776	2,188	1,756	40,389
Net book value:							
At March 31, 2018	2,488	107,194	44,326	44,627	884	1,624	201,143

	Leasehold land	Buildings	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvements	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:							
At April 1, 2018 ..	3,399	120,776	55,502	55,403	3,072	3,380	241,532
Additions	–	4,777	2,603	397	–	310	8,087
Disposals	–	–	(79)	(122)	(2,332)	–	(2,533)
At March 31, 2019	3,399	125,553	58,026	55,678	740	3,690	247,086
Accumulated depreciation:							
At April 1, 2018 ..	911	13,582	11,176	10,776	2,188	1,756	40,389
Charge for the year	91	10,719	5,641	4,048	98	454	21,051
Written back on disposals	–	–	(79)	(122)	(1,865)	–	(2,066)
At March 31, 2019	1,002	24,301	16,738	14,702	421	2,210	59,374
Net book value:							
At March 31, 2019	2,397	101,252	41,288	40,976	319	1,480	187,712

	Leasehold land	Buildings	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvements	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:							
At April 1, 2019	3,399	125,553	58,026	55,678	740	3,690	247,086
Additions	–	8,298	1,542	1,566	–	922	12,328
Acquisitions of subsidiaries under business combination (note 26) ...	–	2,116	836	92	–	204	3,248
Disposals	–	–	(1,649)	(100)	–	(571)	(2,320)
At March 31, 2020	<u>3,399</u>	<u>135,967</u>	<u>58,755</u>	<u>57,236</u>	<u>740</u>	<u>4,245</u>	<u>260,342</u>
Accumulated depreciation:							
At April 1, 2019	1,002	24,301	16,738	14,702	421	2,210	59,374
Charge for the year	91	13,040	5,739	3,910	98	499	23,377
Written back on disposals	–	–	(1,584)	(90)	–	(400)	(2,074)
At March 31, 2020	<u>1,093</u>	<u>37,341</u>	<u>20,893</u>	<u>18,522</u>	<u>519</u>	<u>2,309</u>	<u>80,677</u>
Net book value:							
At March 31, 2020	<u>2,306</u>	<u>98,626</u>	<u>37,862</u>	<u>38,714</u>	<u>221</u>	<u>1,936</u>	<u>179,665</u>

	Leasehold land	Buildings	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvements	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:							
At April 1, 2020	3,399	135,967	58,755	57,236	740	4,245	260,342
Additions	–	3,015	433	2,306	–	167	5,921
Disposals	–	(15,621)	(310)	(532)	–	(373)	(16,836)
At March 31, 2020	<u>3,399</u>	<u>123,361</u>	<u>58,878</u>	<u>59,010</u>	<u>740</u>	<u>4,039</u>	<u>249,427</u>
Accumulated depreciation:							
At April 1, 2020	1,093	37,341	20,893	18,522	519	2,309	80,677
Charge for the period	31	4,635	1,909	1,341	33	164	8,113
Written back on disposals	–	(15,621)	(310)	(532)	–	(201)	(16,664)
At July 31, 2020	<u>1,124</u>	<u>26,355</u>	<u>22,492</u>	<u>19,331</u>	<u>552</u>	<u>2,272</u>	<u>72,126</u>
Net book value:							
At July 31, 2020	<u>2,275</u>	<u>97,006</u>	<u>36,386</u>	<u>39,679</u>	<u>188</u>	<u>1,767</u>	<u>177,301</u>

At March 31, 2018, 2019 and 2020 and July 31, 2020, certain leasehold land and buildings were pledged against bank loans granted to the Group and certain fellow subsidiaries disclosed in note 21.

(B) Right-of-use assets

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

Note	As at March 31,			As of July 31,	
	2018	2019	2020	2020	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Ownership interests in leasehold land with remaining lease term of 50 years or more	(i)	2,488	2,397	2,306	2,275
Buildings leased for own use, carried at depreciated cost	(ii)	18,070	14,811	14,869	14,145
		<u>20,558</u>	<u>17,208</u>	<u>17,175</u>	<u>16,420</u>

The analysis of expense items in relation to leases recognized in the consolidated statements of profit or loss and other comprehensive income is as follows:

	Year ended March 31,			Four months ended July 31,	
	2018	2019	2020	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation charge of right-of-use assets by class of underlying asset:					
Ownership interests in leasehold land ..	91	91	91	31	31
Buildings leased for own use	7,653	8,036	10,356	2,672	3,739
	<u>7,744</u>	<u>8,127</u>	<u>10,447</u>	<u>2,703</u>	<u>3,770</u>
Interest on lease liabilities (note 5(A)) .	<u>750</u>	<u>575</u>	<u>495</u>	<u>152</u>	<u>140</u>

Additions to right-of-use assets were HK\$10,870,000, HK\$4,777,000, HK\$8,298,000 and HK\$3,015,000 during the years ended March 31, 2018, 2019 and 2020 and four months ended July 31, 2020 respectively which primarily related to the capitalized lease payments payable under new tenancy agreements. Additions to right-of-use assets arising from the step acquisition of subsidiaries were HK\$2,116,000 during the year ended March 31, 2020.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 19(D) and 22 respectively.

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

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

(ii) Buildings leased for own use

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

12 INTANGIBLE ASSETS

	Goodwill	Club memberships	Trademarks	Unpatented drugs	Customer relationship	Distribution rights	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:							
At April 1, 2017	204,347	1,220	260,670	32,729	113,278	-	612,244
Additions	-	-	-	369	-	-	369
At March 31, 2018	<u>204,347</u>	<u>1,220</u>	<u>260,670</u>	<u>33,098</u>	<u>113,278</u>	<u>-</u>	<u>612,613</u>
Accumulated amortization:							
At April 1, 2017	-	-	-	1,348	3,711	-	5,059
Charge for the year ..	-	-	-	1,098	7,301	-	8,399
At March 31, 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,446</u>	<u>11,012</u>	<u>-</u>	<u>13,458</u>
Net book value:							
At March 31, 2018	<u>204,347</u>	<u>1,220</u>	<u>260,670</u>	<u>30,652</u>	<u>102,266</u>	<u>-</u>	<u>599,155</u>

APPENDIX I
ACCOUNTANTS' REPORT

	Goodwill	Club memberships	Trademarks	Unpatented drugs	Customer relationship	Distribution rights	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:							
At April 1, 2018	204,347	1,220	260,670	33,098	113,278	–	612,613
Additions	–	–	–	–	–	1,248	1,248
At March 31, 2019 . .	204,347	1,220	260,670	33,098	113,278	1,248	613,861
Accumulated amortization:							
At April 1, 2018	–	–	–	2,446	11,012	–	13,458
Charge for the year . .	–	–	–	1,103	7,300	226	8,629
At March 31, 2019 . .	–	–	–	3,549	18,312	226	22,087
Net book value:							
At March 31, 2019 . .	204,347	1,220	260,670	29,549	94,966	1,022	591,774
	Goodwill	Club memberships	Trademarks	Unpatented drugs	Customer relationship	Distribution rights	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:							
At April 1, 2019	204,347	1,220	260,670	33,098	113,278	1,248	613,861
Additions	–	–	–	1,047	–	390	1,437
Acquisitions of subsidiaries under business combination (note 26)	56,191	–	106,454	–	110,643	–	273,288
At March 31, 2020 . .	260,538	1,220	367,124	34,145	223,921	1,638	888,586
Accumulated amortization:							
At April 1, 2019	–	–	–	3,549	18,312	226	22,087
Charge for the year . .	–	–	–	1,106	10,989	390	12,485
At March 31, 2020 . .	–	–	–	4,655	29,301	616	34,572
Net book value:							
At March 31, 2020 . .	260,538	1,220	367,124	29,490	194,620	1,022	854,014
	Goodwill	Club memberships	Trademarks	Unpatented drugs	Customer relationship	Distribution rights	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:							
At April 1, 2020	260,538	1,220	367,124	34,145	223,921	1,638	888,586
Additions	–	–	–	–	–	16,452	16,452
At July 31, 2020	260,538	1,220	367,124	34,145	223,921	18,090	905,038
Accumulated amortization:							
At April 1, 2020	–	–	–	4,655	29,301	616	34,572
Charge for the period	–	–	–	379	4,810	756	5,945
At July 31, 2020	–	–	–	5,034	34,111	1,372	40,517
Net book value:							
At July 31, 2020	260,538	1,220	367,124	29,111	189,810	16,718	864,521

The amortization charge of unpatented drugs is included in “Cost of sales” and that of customer relationship and distribution rights is included in “Selling and distribution expenses” in the consolidated statements of profit or loss and other comprehensive income for the years ended March 31, 2018, 2019 and 2020 and four months ended July 31, 2020.

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

In assessing the useful life of trademarks, management considered trademarks are renewable upon their expiry and the Group will not incur significant costs to renew the registration of trademarks which is a routine administrative procedure. In addition, due consideration is given to the existing longevity of trademarks, the indefinite life cycle of the industry in which the Group operates and the expected usage of the trademarks in the future the trademarks have been assessed as having an indefinite useful life.

Impairment tests for cash generating units containing goodwill and trademarks

Goodwill and trademarks are allocated to the Group's cash-generating units ("CGU") in the following business segments:

	As of March 31,			As of July 31,
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Goodwill				
Proprietary Chinese medicines	11,727	11,727	67,918	67,918
Branded medicines	192,620	192,620	192,620	192,620
	204,347	204,347	260,538	260,538
Trademarks				
Proprietary Chinese medicines	52,590	52,590	159,044	159,044
Branded medicines	208,080	208,080	208,080	208,080
	260,670	260,670	367,124	367,124

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts prepared by management covering a three-year/five-year period, which typically take into account the Group's forecast revenue, cost of sales, advertising and promotion cost, staff costs and other expenses. It could be affected by general market conditions, brand management and sales capabilities, cost of materials and labor, and other factors beyond the Group's control. Cash flows beyond the three-year/five-year period are extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations:

	As of March 31,			As of July 31,
	2018	2019	2020	2020
Gross margin	44%-70%	46%-69%	20%-72%	20%-72%
Growth rate	3%	3%	3%	3%
Discount rate	14%-16%	13%-15%	13%-15%	13%-15%

Management determined forecasted gross margin based on past performance and its expectations for market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

The estimated recoverable amount of the CGUs in proprietary Chinese medicines segment exceeds their carrying amount as at March 31, 2018, 2019 and 2020 and July 31, 2020 by approximately HK\$133.1 million, HK\$133.8 million, HK\$229.9 million and HK\$222.1 million respectively ("**headroom**") and the estimated recoverable amount of the CGU in branded medicines segment exceeds its carrying amount as at March 31, 2018, 2019 and 2020 and July 31, 2020 by approximately HK\$89.4 million, HK\$105.9 million, HK\$71.5 million and HK\$93.6 million respectively.

The following table indicates how the amount of headroom would have changed if certain key assumptions during the forecast period had changed, assuming all other assumptions remained constant:

Decrease in headroom

	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

The management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the CGUs to exceed the recoverable amount of the CGUs.

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 CGU would be approximately equal to its carrying amount.

	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 club memberships, the directors consider that the recoverable amount of the intangible assets exceeds the carrying amount and therefore no impairment is necessary. The recoverable amount of such intangible assets is estimated by reference to the current open market value less cost of disposal as of the end of each reporting period.

13 INTEREST IN ASSOCIATES

	As of March 31,			As of July 31,
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Share of net assets, including goodwill on acquisition	–	142,186	17,959	18,011

All of the associates are accounted for using the equity method in the Historical Financial Information.

The Group acquired a 45% equity interest in Orizen Capital Limited (“Orizen”) and its subsidiary (together as the “Orizen Group”) at a consideration of HK\$118,650,000 during the year ended March 31, 2019. The Group further acquired a 43% equity interest in the Orizen Group at a consideration of HK\$113,384,000 during the year ended March 31, 2020, and the associates became 88% owned subsidiaries of the Group (see note 26).

The following table contains only the particulars of a material associate as of March 31, 2019, which is an unlisted corporate entity whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activities
				Group's effective interest	Held by the Company	Held by a subsidiary	
Orizen	Incorporated	BVI	100 ordinary shares	45%	–	45%	Trading, wholesaling and retailing of Chinese medicine

Summarized financial information of the material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the Historical Financial Information, are disclosed below:

	HK\$'000
From July 11, 2018 (date of acquisition) to March 31, 2019	
Revenue	85,064
Profit and other comprehensive income	11,277
From April 1, 2019 to August 6, 2019 (date of step acquisition)	
Revenue	36,349
Profit and total comprehensive income	7,690
Gross amounts of the Orizen Group's financial information at March 31, 2019	
Current assets	44,431
Non-current assets	206,217
Current liabilities	(19,541)
Non-current liabilities	(34,214)
Equity	196,893
Reconciliation to the Group's interests in associates as at March 31, 2019	
Gross amounts of net assets of the associate	196,893
Group's effective interest	45%
Group's share of net assets of the associate	88,602
Goodwill	35,129
Carrying amount in the Historical Financial Information	123,731

Information of the associate that is not material:

	As of March 31,			As of July 31,
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Carrying amount of the immaterial associate in the Historical Financial Information	–	18,455	17,959	18,011
Amount of the Group's share of the associate for the year/period:				
(Loss)/profit and total comprehensive income ...	–	(356)	(497)	52

14 INTEREST IN JOINT VENTURES

	As of March 31,			As of July 31,
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Share of net assets	–	–	2,500	4,168

The joint ventures are accounted for using the equity method in the Historical Financial Information.

The following table contains the particulars of the joint ventures as of July 31, 2020, which are unlisted corporate entities whose quoted market prices are not available:

Name of joint ventures	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activities
				Group's effective interest	Held by the Company	Held by a subsidiary	
JK Healthcare International Limited	Incorporated	Hong Kong	5,000,000 ordinary shares	50%	–	50%	Development of gastrointestinal and respiratory pharmaceutical drugs
Fancy Summit Inc.	Incorporated	BVI	2 ordinary shares	50%	–	50%	Investment holding

15 OTHER NON-CURRENT ASSETS

	As of March 31,			As of July 31,
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Prepayments for purchase of property, plant and equipment	1,903	1,570	2,226	2,062
Prepayments for distribution rights	–	4,324	3,895	671
Others	–	586	463	423
	1,903	6,480	6,584	3,156

16 INVENTORIES

(A) Inventories in the consolidated statements of financial position comprise:

	As of March 31,			As of July 31,
	2018	2019	2020	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
	31,359	30,046	63,778	62,954

(B) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	Year ended March 31,			Four months ended July 31,	
	2018	2019	2020	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Carrying amount of inventories sold ...	118,025	138,180	191,343	35,171	60,226
Write-down/(reversal of write-down) of inventories	118	(350)	20	478	131
	118,143	137,830	191,363	35,649	60,357

17 TRADE AND OTHER RECEIVABLES

	Note	As of March 31,			As of July 31,
		2018	2019	2020	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	17(A)				
– 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	17(B)	157,923	188,454	22,887	20
Amount due from an intermediate holding company	17(B)	26,416	11,863	11,100	–
Deposits and prepayments		8,488	10,839	19,230	11,625
		231,142	281,088	129,909	79,572

At March 31, 2018, 2019 and 2020 and July 31, 2020, the deposits and prepayments expected to be recovered after more than one year amounted to HK\$4,279,000, HK\$1,600,000, HK\$2,125,000 and HK\$1,950,000 respectively. The remaining trade and other receivables are expected to be recovered within one year.

(A) Trade receivables

As of the end of each reporting period, the aging analysis of trade receivables, which are included in trade and other receivables, based on the invoice date and net of loss allowances is as follows:

	As of March 31,			As of July 31,
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Less than 1 month	19,076	43,450	49,661	44,553
1 to 6 months	10,731	17,540	19,922	14,386
Over 6 months	8,132	3,091	2,535	3,824
	37,939	64,081	72,118	62,763

The aging analysis of trade receivables (net of loss allowance) by due date is as follows:

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

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 27(A).

(B) Amounts due from fellow subsidiaries and an intermediate holding company

The amounts due from a fellow subsidiary of HK\$110,712,000, HK\$141,542,000, HK\$Nil and HK\$Nil at March 31, 2018, 2019 and 2020 and July 31, 2020 respectively are unsecured, recoverable on demand and interest-bearing at 1.2% and 1.8% for the years ended March 31, 2018 and 2019. The remaining portion of amounts due from fellow subsidiaries and an intermediate holding company are unsecured, interest-free and recoverable on demand.

All the amounts due from fellow subsidiaries and an intermediate holding company will be settled prior to the Listing.

(C) Amounts due from subsidiaries of the Company

The amounts due from subsidiaries of the Company are non-trade related, unsecured, interest-free and recoverable on demand.

18 OTHER FINANCIAL ASSETS

	As of March 31,			As of July 31,
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity securities designated at FVOCI (non-recycling)				
– Unlisted	<u>–</u>	<u>–</u>	<u>36,041</u>	<u>36,041</u>

The Group designated its investment in equity securities acquired during the year ended March 31, 2020 at FVOCI (non-recycling) under HKFRS 9 which is represented by the investment in Smartfish AS at a total consideration of Norwegian Kroner 40.0 million (equivalent to HK\$36.0 million). Such designation was chosen as the investments are held for strategic purposes. No dividends were received on the investment since acquisition.

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(A) Cash and cash equivalents comprise:

	As of March 31,			As of July 31,
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at bank and on hand	56,856	50,962	72,790	175,721

(B) Reconciliation of profit before taxation to cash generated from operations:

	Note	Year ended March 31,			Four months ended July 31,	
		2018	2019	2020	2019	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating activities						
Profit before taxation		51,821	69,849	53,966	4,635	11,439
Adjustments for:						
Depreciation and amortization		29,820	29,680	35,862	9,946	14,058
Net (gain)/loss on disposals of property, plant and equipment ...	4	(57)	–	235	33	172
Impairment losses on trade receivables	5(C)	–	2,600	–	–	–
Finance costs	5(A)	1,733	1,390	845	300	3,073
Interest income		(1,148)	(2,292)	(5,892)	(1,930)	(94)
Share of profits less losses of associates		–	(4,719)	(2,963)	(3,228)	(52)
Changes in working capital:						
Decrease/(increase) in inventories		4,707	1,313	(21,648)	(19,895)	824
(Increase)/decrease in trade and other receivables		(2,973)	(36,395)	(26,597)	31,087	39,197
Increase/(decrease) in trade and other payables and contract liabilities		10,080	2,893	22,238	(1,325)	(39,067)
Cash generated from operations		<u>93,983</u>	<u>64,319</u>	<u>56,046</u>	<u>19,623</u>	<u>29,550</u>

(C) Reconciliation of liabilities arising from financing activities

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

	Bank loans	Amounts due to fellow subsidiaries	Amount due to an intermediate holding company	Lease liabilities	Total
	HK\$'000 (note 21)	HK\$'000	HK\$'000	HK\$'000 (note 22)	HK\$'000
At April 1, 2017	26,248	222,955	630,781	15,232	895,216
Changes from financing cash flows:					
Repayment of bank loans	(13,370)	–	–	–	(13,370)
Decrease in amounts due to fellow subsidiaries	–	(4,230)	–	–	(4,230)
Increase in amount due to an intermediate holding company	–	–	8,733	–	8,733
Capital element of lease rentals paid	–	–	–	(7,478)	(7,478)
Interest element of lease rentals paid	–	–	–	(750)	(750)
Other borrowing costs paid	(753)	–	–	–	(753)
Total changes from financing cash flows	(14,123)	(4,230)	8,733	(8,228)	(17,848)
Other changes:					
Increase in lease liabilities from entering into new leases during the year	–	–	–	10,870	10,870
Interest expenses (note 5(A)) ..	753	230	–	750	1,733
Total other changes	753	230	–	11,620	12,603
At March 31, 2018	12,878	218,955	639,514	18,624	889,971

	Bank loans	Amounts due to fellow subsidiaries	Amount due to an intermediate holding company	Lease liabilities	Total
	HK\$'000 (note 21)	HK\$'000	HK\$'000	HK\$'000 (note 22)	HK\$'000
At April 1, 2018	12,878	218,955	639,514	18,624	889,971
Changes from financing cash flows:					
Repayment of bank loans	(8,145)	–	–	–	(8,145)
Increase in amounts due to fellow subsidiaries	–	11,634	–	–	11,634
Decrease in amount due to an intermediate holding company	–	–	(13,550)	–	(13,550)
Capital element of lease rentals paid	–	–	–	(7,978)	(7,978)
Interest element of lease rentals paid	–	–	–	(575)	(575)
Other borrowing costs paid	(426)	–	–	–	(426)
Total changes from financing cash flows	(8,571)	11,634	(13,550)	(8,553)	(19,040)
Other changes:					
Increase in lease liabilities from entering into new leases during the year	–	–	–	4,777	4,777
Payment for acquisition of associates on behalf of the Group (note 19(E))	–	118,650	–	–	118,650
Interest expenses (note 5(A))	426	389	–	575	1,390
Total other changes	426	119,039	–	5,352	124,817
At March 31, 2019	4,733	349,628	625,964	15,423	995,748

	Bank loans	Amounts due to fellow subsidiaries	Amounts due to an intermediate holding company	Amount due to the immediate holding company	Lease liabilities	Total
	HK\$'000 (note 21)	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note 22)	HK\$'000
At April 1, 2019	4,733	349,628	625,964	–	15,423	995,748
Changes from financing cash flows:						
Repayment of bank loans	(4,733)	–	–	–	–	(4,733)
Decrease in amount due to fellow subsidiaries	–	(34,699)	–	–	–	(34,699)
Decrease in amount due to an intermediate holding company	–	–	(7,682)	–	–	(7,682)
Capital element of lease rentals paid	–	–	–	–	(10,297)	(10,297)
Interest element of lease rentals paid	–	–	–	–	(495)	(495)
Other borrowing costs paid	(45)	–	–	–	–	(45)
Total changes from financing cash flows	(4,778)	(34,699)	(7,682)	–	(10,792)	(57,951)
Other changes:						
Increase in lease liabilities from entering into new leases during the year	–	–	–	–	8,298	8,298
Increase in lease liabilities from step acquisition of subsidiaries	–	–	–	–	2,116	2,116
Interest expenses (note 5(A)) ..	45	305	–	–	495	845
Dividends declared to an intermediate holding company (note 9)	–	66,000	–	–	–	66,000
Receipt of dividends from an associate on behalf of the Group (note 19(E))	–	–	(8,459)	–	–	(8,459)
Payment for acquisition of subsidiaries on behalf of the Group (note 19(E))	–	–	113,384	–	–	113,384
Payment for acquisition of a non-current financial asset on behalf of the Group (note 19(E))	–	–	36,041	–	–	36,041
Acquisition of unpatented drugs from a fellow subsidiary	–	1,047	–	–	–	1,047
Reorganization (Note (i))	–	(381,154)	(748,424)	440,000	–	(689,578)
Total other changes	45	(313,802)	(607,458)	440,000	10,909	(470,306)
At March 31, 2020	–	1,127	10,824	440,000	15,540	467,491

(Unaudited)	Bank loans	Amounts due to fellow subsidiaries	Amounts due to an intermediate holding company	Lease liabilities	Total
	HK\$'000 (note 21)	HK\$'000	HK\$'000	HK\$'000 (note 22)	HK\$'000
At April 1, 2019	4,733	349,628	625,964	15,423	995,748
Changes from financing cash flows:					
Repayment of bank loans	(4,733)	–	–	–	(4,733)
Decrease in amounts due to fellow subsidiaries	–	(6,971)	–	–	(6,971)
Increase in amounts due to an intermediate holding company	–	–	6,942	–	6,942
Capital element of lease rentals paid	–	–	–	(2,697)	(2,697)
Interest element of lease rentals paid	–	–	–	(152)	(152)
Other borrowing costs paid	(45)	–	–	–	(45)
Total changes from financing cash flows	(4,778)	(6,971)	6,942	(2,849)	(7,656)
Other changes:					
Increase in lease liabilities from entering into new leases during the period	–	–	–	791	791
Interest expenses (note 5(A))	45	103	–	152	300
Dividends declared to an intermediate holding company (note 9)	–	66,000	–	–	66,000
Payment for acquisition of a non-current financial asset on behalf of the Group (note 19(E))	–	–	36,041	–	36,041
Total other changes	45	66,103	36,041	943	103,132
At July 31, 2019	–	408,760	668,947	13,517	1,091,224

	Amounts due to fellow subsidiaries	Amounts due to an intermediate holding company	Amount due to the immediate holding company	Lease liabilities	Total
	HK\$'000 (note 21)	HK\$'000	HK\$'000	HK\$'000 (note 22)	HK\$'000
At April 1, 2020	1,127	10,824	440,000	15,540	467,491
Changes from financing cash flows:					
Decrease in amounts due to fellow subsidiaries	(1,127)	–	–	–	(1,127)
Decrease in amounts due to an intermediate holding company	–	(9,187)	–	–	(9,187)
Capital element of lease rentals paid ..	–	–	–	(3,767)	(3,767)
Interest element of lease rentals paid ..	–	–	–	(140)	(140)
Total changes from financing cash flows	<u>(1,127)</u>	<u>(9,187)</u>	<u>–</u>	<u>(3,907)</u>	<u>(14,221)</u>
Other changes:					
Increase in lease liabilities from entering into new leases during the period	–	–	–	3,015	3,015
Reorganization (Note (ii))	–	–	(70,000)	–	(70,000)
Interest expenses (note 5(A))	–	–	2,933	140	3,073
Total other changes	<u>–</u>	<u>–</u>	<u>(67,067)</u>	<u>3,155</u>	<u>(63,912)</u>
At July 31, 2020	<u>–</u>	<u>1,637</u>	<u>372,933</u>	<u>14,788</u>	<u>389,358</u>

Notes:

- (i) On March 31, 2020, as part of the Reorganization to the Group:
- (a) equity interest in the subsidiaries were acquired from the immediate holding company at a consideration of HK\$6,564,000 which is dealt with in the amount due to the immediate holding company; and
 - (b) amounts due to/from JPCL group companies totalling HK\$1,129,578,000 and HK\$158,918,000 respectively were assigned to the immediate holding company, which resulted in an amount due to immediate holding company of HK\$977,223,000 (after netting off with the immediate holding company of HK\$1,000 prior to the Reorganization).

On the same date, the Company allotted 900,000 shares to the immediate holding company for setting-off against the Company's amount due to the immediate holding company of HK\$537,223,000 and the amount due to the immediate holding company was decreased to HK\$440,000,000.

- (ii) On July 27, 2020, HK\$70,000,000 of the amount due to the immediate holding company was capitalized and recorded within equity.

(D) Total cash outflow for leases

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

	Year ended March 31,			Four months ended July 31,	
	2018	2019	2020	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Within financing cash flows	8,228	8,553	10,792	2,849	3,907

These amounts are related to lease rental payments.

(E) Major non-cash transactions

During the year ended March 31, 2019, the Group acquired associates, Orizen Group, at a consideration of HK\$118,650,000. The consideration was paid directly by a fellow subsidiary on behalf of the Group. During the year ended March 31, 2020, the associate paid dividends of HK\$8,459,000 to the Group. The dividends were collected directly by an intermediate holding company on behalf of the Group. The Group further acquired a 43% of equity interest of Orizen Group at a consideration of HK\$113,384,000. The consideration was paid directly by the intermediate holding company (see note 26) on behalf of the Group and the amount due to a fellow subsidiary of HK\$118,650,000 for the equity interest acquired previously was transferred to amount due to the intermediate holding company.

During the year ended March 31, 2020, the Group acquired a non-current financial asset at a consideration of HK\$36,041,000. The consideration was paid directly by an intermediate holding company on behalf of the Group.

The considerations for the above transactions were dealt with in the amounts due to a fellow subsidiary and intermediate holding company respectively.

During the four months ended July 31, 2020, HK\$70,000,000 of the amount due to the immediate holding company was capitalized and recorded within equity. Further, the Group acquired 10% of the total number of shares issued by Orizen Group at the consideration of HK\$30,000,000 which was settled by the issuance and allotment of 30,000,000 shares by the Company.

20 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	Note	As of March 31,			As of July 31,
		2018	2019	2020	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	20(A)				
– 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	20(E)	–	–	2,500	2,500
Amounts due to fellow subsidiaries	20(B)	239,295	362,534	40,379	4,703
Amounts due to an intermediate holding company	20(B)	639,514	625,964	10,824	1,637
Contract liabilities	20(F)	963	571	4,061	5,097
		896,121	1,016,137	85,837	38,737

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

(A) Trade payables

As of the end of reporting period, the aging analysis of trade payables, which are included in trade and other payables, based on the invoice date, is as follows:

	As of March 31,			As of July 31,
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 month.....	3,126	6,127	5,372	5,274
1 to 6 months.....	4,139	8,392	2,066	1,760
Over 6 months.....	–	–	–	165
	<u>7,265</u>	<u>14,519</u>	<u>7,438</u>	<u>7,199</u>

(B) Amounts due to fellow subsidiaries and an intermediate holding company

The amounts due to a fellow subsidiary of HK\$27,748,000, HK\$32,528,000, HK\$Nil and HK\$Nil at March 31, 2018, 2019 and 2020 and July 31, 2020 are unsecured, repayable on demand and interest-bearing at 4.17% and 4.82% for the years ended March 31, 2018 and 2019. The remaining portion of the amounts due to fellow subsidiaries and an intermediate holding company are unsecured, interest-free and repayable on demand. All the non-trade related amounts due to fellow subsidiaries and an intermediate holding company (see note 30(C)) will be settled prior to the Listing.

(C) Amount due to the immediate holding company

The amount due to the immediate holding company of HK\$440,000,000 at March 31, 2020 is unsecured, interest-bearing at 2.00% per annum, and not repayable within 1 year. On July 27, 2020, HK\$70,000,000 of the amount due to the immediate holding company was capitalized and recorded within equity. The amount due to the immediate holding company of HK\$372,933,000 at July 31, 2020 is unsecured, interest-bearing at 2.00% per annum, and not repayable within 1 year. As of November 30, 2020, the amount due to the immediate holding company was fully settled as to HK\$250,000,000 by bank facilities obtained in November 2020, with balance from general working capital including proceeds from new shares issued during the four months ended July 31, 2020 and internally generated funds.

(D) Amounts due to subsidiaries of the Company

The amounts due to subsidiaries of the Company are non-trade related, unsecured, interest-free and repayable on demand.

(E) Amount due to a joint venture

The amount due to a joint venture represented the payable for capital injection to the joint venture. It will be settled prior to the Listing.

(F) Contract liabilities

Movements of contract liabilities are as follows:

	As of March 31,			As of July 31,
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year/period	1,808	963	571	4,061
Decrease in contract liabilities as a result of recognizing revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(1,808)	(963)	(571)	(4,061)
Increase in contract liabilities as a result of receiving forward sales deposits during the year/period.....	963	571	4,061	5,097
At the end of the year/period.....	963	571	4,061	5,097

21 BANK LOANS

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

	As of March 31,			As of July 31,
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current liabilities:				
Current portion of bank loans	2,997	622	–	–
Non-current portion of bank loans with repayable on demand clause	9,881	4,111	–	–
	12,878	4,733	–	–

(i) Bank loans were analyzed as follows:

	As of March 31,			As of July 31,
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans				
– Secured	5,322	4,733	–	–
– Unsecured.....	7,556	–	–	–
	12,878	4,733	–	–

As of March 31, 2018, 2019 and 2020 and July 31, 2020, secured banking facilities of HK\$200,072,000, HK\$199,483,000, HK\$194,750,000 and HK\$194,750,000 were granted to the Group in relation to bank loans and trade finance facilities and were utilized to the extent of HK\$11,154,000, HK\$5,249,000, HK\$700,000 and HK\$572,000 by the Group respectively. Among the secured banking facilities, HK\$194,750,000, HK\$194,750,000, HK\$194,750,000 and HK\$194,750,000 were shared with certain fellow subsidiaries and an intermediate holding company. Such banking facilities of HK\$5,832,000, HK\$516,000, HK\$700,000 and HK\$572,000 were utilized by the Group and HK\$7,157,000, HK\$99,470,000, HK\$19,739,000 and HK\$19,543,000 were utilized by fellow subsidiaries and an intermediate holding company as of March 31, 2018, 2019 and 2020 and July 31, 2020 respectively. Among the secured banking facilities utilized by the Group, HK\$11,154,000, HK\$5,249,000, HK\$700,000 and HK\$572,000 were guaranteed by JML and certain fellow subsidiaries of the Company as of March 31, 2018, 2019 and 2020 and July 31, 2020 respectively. All of the secured banking facilities shared with certain fellow subsidiaries and an intermediate holding company was terminated in November 2020. In November 2020, a secured banking facility of HK\$250,000,000 was granted to the Group and was fully utilized by the Group. The secured banking facility was secured by certain buildings of the Group and was guaranteed by the Company and JPCL. The guarantee from JPCL will be released upon the Listing.

The carrying value of assets pledged against bank loans drawn by the Group, its fellow subsidiaries and an intermediate holding company as of the end of the reporting period is analyzed as follows:

	As of March 31,			As of July 31,
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment.	91,613	88,839	81,626	80,767

Among the above pledged assets, property, plant and equipment of HK\$4,833,000, HK\$4,636,000, HK\$Nil and HK\$Nil as of March 31, 2018, 2019 and 2020 and July 31, 2020 were pledged against the bank loans drawn by the Group. The remaining portion of property, plant and equipment were pledged against bank loans drawn by certain fellow subsidiaries. The pledged property, plant and equipment against bank loans drawn by fellow subsidiaries was released in November 2020.

Unsecured banking facilities of HK\$38,056,000, HK\$25,500,000, HK\$Nil and HK\$Nil as of March 31, 2018, 2019 and 2020 and July 31, 2020 were granted to the Group respectively. Such banking facilities of HK\$7,556,000, HK\$Nil, HK\$Nil and HK\$Nil were utilized by the Group as of March 31, 2018, 2019 and 2020 and July 31, 2020 respectively. All of the unsecured banking facilities were guaranteed by JPCL.

- (ii) All the Group's banking facilities are subject to the fulfillment of covenants based on the financial information of the Group and certain of its subsidiaries. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. As of March 31, 2018 and 2019, none of the covenants relating to drawn down facilities had been breached. Further details of the Group's management of liquidity risk are set out in note 27(B).

Notwithstanding the specified repayment schedules as stated in the facilities letters ("**specific repayment terms**") which allow the loans to be repaid over a period of more than one year, all banking facilities granted to the Group include a clause that gives the banks the unconditional right to call the bank loans at any time ("**repayment on demand clause**"). These bank loans as of March 31, 2018 and 2019 were classified as current liabilities in the consolidated statements of financial position.

Management expects that the bank loans are to be repaid as follows based on the specific repayment terms:

	As of March 31,			As of July 31,
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans due for repayment:				
Within one year	2,997	622	—	—
After 1 year but within 2 years	3,138	640	—	—
After 2 years but within 5 years	4,612	2,027	—	—
After 5 years	2,131	1,444	—	—
	9,881	4,111	—	—
	12,878	4,733	—	—

Note: The amounts due are based on the specific repayment terms set out in the facilities letters and ignore the effect of any repayment on demand clause.

22 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of each reporting period:

	As of March 31, 2018		As of March 31, 2019		As of March 31, 2020		As of July 31, 2020	
	Present	Total	Present	Total	Present	Total	Present	Total
	value of the minimum lease payments	minimum lease payments	value of the minimum lease payments	minimum lease payments	value of the minimum lease payments	minimum lease payments	value of the minimum lease payments	minimum lease payments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 year	6,961	7,444	7,536	7,905	9,025	9,343	9,315	9,622
After 1 year but within 2 years	5,962	6,235	4,751	4,918	5,853	5,946	5,208	5,271
After 2 years but within 5 years	5,701	5,864	3,136	3,177	662	665	265	266
	11,663	12,099	7,887	8,095	6,515	6,611	5,473	5,537
	18,624	19,543	15,423	16,000	15,540	15,954	14,788	15,159
Less: total future interest expenses . .		(919)		(577)		(414)		(371)
Present value of lease liabilities . . .		18,624		15,423		15,540		14,788

23 DEFERRED TAX

(A) Deferred tax (assets)/liabilities recognized

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

	Property, plant and equipment	Intangible assets	Expected credit losses allowance on trade receivables	Unused tax losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At April 1, 2017	19,755	57,915	–	(1,249)	76,421
Charged/(credited) to profit or loss	830	(1,352)	–	(447)	(969)
At March 31, 2018	<u>20,585</u>	<u>56,563</u>	<u>–</u>	<u>(1,696)</u>	<u>75,452</u>
At April 1, 2018	20,585	56,563	–	(1,696)	75,452
(Credited)/charged to profit or loss	(908)	(1,382)	(429)	806	(1,913)
At March 31, 2019	<u>19,677</u>	<u>55,181</u>	<u>(429)</u>	<u>(890)</u>	<u>73,539</u>
At April 1, 2019	19,677	55,181	(429)	(890)	73,539
Acquisition of subsidiaries (note 26)	99	35,821	–	–	35,920
Credited to profit or loss	(1,268)	(1,990)	–	(399)	(3,657)
At March 31, 2020	<u>18,508</u>	<u>89,012</u>	<u>(429)</u>	<u>(1,289)</u>	<u>105,802</u>
At April 1, 2020	18,508	89,012	(429)	(1,289)	105,802
Credited to profit or loss	(58)	(836)	–	(856)	(1,750)
At July 31, 2020	<u>18,450</u>	<u>88,176</u>	<u>(429)</u>	<u>(2,145)</u>	<u>104,052</u>

Reconciliation to the consolidated statements of financial position

	As of March 31,			As of July 31,
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred tax assets recognized in the consolidated statements of financial position .	(762)	(1,342)	(1,355)	(1,575)
Deferred tax liabilities recognized in the consolidated statements of financial position .	76,214	74,881	107,157	105,627
	<u>75,452</u>	<u>73,539</u>	<u>105,802</u>	<u>104,052</u>

The directors are of the view that it is probable that future taxable profits will be available to utilize the deferred tax assets.

(B) Deferred tax assets not recognized

As of March 31, 2018 and 2019 and 2020 and July 31, 2020, in accordance with the accounting policy set out in note 2(r), the Group has not recognized deferred tax assets in respect of cumulative tax losses of HK\$166,000, HK\$158,000, HK\$158,000 and HK\$158,000 respectively as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity. Tax losses as of March 31, 2018, 2019 and 2020 and July 31, 2020 have no expiry dates under current tax legislation.

24 SHARE CAPITAL

	Number of shares	Amount
	'000	HK\$'000
Authorized:		
Ordinary shares of HK\$0.01 each at January 7, 2020 (date of incorporation) and March 31, 2020	5,000,000	50,000
Issued:		
At January 7, 2020 (date of incorporation)	100	1
Issuance of ordinary shares	900	9
At March 31, 2020	1,000	10
At April 1, 2020	1,000	10
Issuance of ordinary shares	848,000	8,480
At July 31, 2020	849,000	8,490

The Company was incorporated in the Cayman Islands on January 7, 2020. At the time of incorporation, the Company had an authorized share capital of HK\$50,000,000 divided into 5,000,000,000 shares. The Company issued and allotted 100,000 shares to JBM Group (BVI) Limited upon incorporation.

On March 31, 2020, the Company further issued and allotted 900,000 shares to JBM Group (BVI) Limited at a consideration of HK\$537,223,000, settled by setting-off against the Company's amount due to the immediate holding company, of which HK\$9,000 was credited to share capital and the remaining balance was credited to the share premium account. On June 30, 2020, HK\$70,000,000 of amount due to the immediate holding company was capitalized and recorded in capital reserve. On July 24, 2020, the Company allotted and issued a total of 721,000,000 shares, by way of capitalization of share premium of the Company, to JBM Group (BVI) Limited ("**Capitalization Issue**").

On July 27, 2020, Sampan Development Limited ("**Sampan**"), an indirect wholly-owned subsidiary of the Company, Ms. Yang Hua ("**Ms. Yang**") who is a connected person of the Company at subsidiary level and the Company entered into a share purchase agreement under which Sampan agreed to purchase 10% of the total issued share capital of Orizen Group at the consideration of HK\$30,000,000, which shall be satisfied by way of an allotment and issuance of 30,000,000 shares by the Company to her. The difference between the consideration and the 10% of net assets in Orizen Group amounted to approximately HK\$10,642,000 was recognized by the Group in capital reserve.

On the same date, the Company and JBM Group (BVI) Limited, the immediate holding company of the Company entered into the Strategic Investment Agreements with certain strategic investors who are independent third parties. The Company agreed to issue a total of 97,000,000 shares to the strategic investors for an aggregate consideration of HK\$97,000,000, representing a subscription price of

HK\$1.00 per share. Details of the changes in the Company's equity for the periods from January 7, 2020 to March 31, 2020 and from April 1, 2020 to July 31, 2020 are set out below:

	Share capital	Share premium	Capital reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At January 7, 2020 (date of incorporation)	1	–	–	–	1
Issuance of ordinary shares	9	537,214	–	–	537,223
Loss for the period	–	–	–	(9,214)	(9,214)
At March 31, 2020	10	537,214	–	(9,214)	528,010
At April 1, 2020	10	537,214	–	(9,214)	528,010
Issuance of ordinary shares	1,270	125,730	–	–	127,000
Capitalization of amount due to the immediate holding company	–	–	70,000	–	70,000
Capitalization issue	7,210	(7,210)	–	–	–
Loss for the period	–	–	–	(7,761)	(7,761)
At July 31, 2020	8,490	655,734	70,000	(16,975)	717,249

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

The share capital of the Group as of March 31, 2018 and 2019 represented the consolidated share capital of entities which took part in the Reorganization to form the Group while the share capital of the Group and the Company as of March 31, 2020 and July 31, 2020 represents the issued share capital of the Company.

25 RESERVES

The nature and purpose of reserves are set out below:

(A) Share premium

Prior to the incorporation of the Company on January 7, 2020, the share premium account represented the difference between the consideration and the par value of the issued shares of PCHT Herbal Sciences Limited. After the Reorganization, it represents the difference between the consideration and the par value of the issued shares of the Company. Under the Companies Act (Revised) of the Cayman Islands, the fund in the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(B) Capital reserve

The capital reserve represented (i) the difference between the considerations paid by the JPCL Group/the Group and the share of net assets value of the subsidiaries acquired from non-controlling interests and (ii) amount due to the immediate holding company capitalized.

(C) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial information of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 2(u).

(D) Deemed contribution/(distribution)

The deemed contribution or distribution represents the net amount of assets and liabilities of the Relevant Businesses contributed from or Excluding Businesses distributed to JPCL Group for no monetary considerations. The assets and liabilities distributed to or contributed from JPCL Group during the Relevant Periods represent certain assets and liabilities historically associated with the Relevant Businesses but were retained by JPCL Group or associated with the Excluding Businesses but were retained by the entities within the Group.

(E) Distributability of reserves

As of March 31, 2020 and July 31, 2020, the aggregate amount of reserves available for distribution to equity shareholders of the Company is HK\$528,000,000 and HK\$708,759,000 respectively.

(F) Capital management

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

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

Except for the banking facilities which require the fulfillment of covenants relating to certain financial ratios as disclosed in note 21, the Group is not subject to externally imposed capital requirements.

26 ACQUISITION OF SUBSIDIARIES**Business combination*****Step acquisition of Orizen Group***

On July 22, 2019, Sampan entered into a sale and purchase agreement (the "SPA") with independent third parties (the "Vendors"), pursuant to which Sampan conditionally agreed to purchase and the Vendors conditionally agreed to sell, a 43% equity interest in Orizen, at a consideration of HK\$113,384,000 (the "Step Acquisition"). Orizen is an investment holding company incorporated in the BVI and its subsidiary is principally engaged in proprietary Chinese medicine business.

The fair value of the Group's then 45% equity holding in Orizen immediately before the Step Acquisition (the "Existing Shareholding") formed part of the total consideration of the Step Acquisition and was included in the calculation of goodwill on the Step Acquisition.

As of August 6, 2019, the fair value of the Existing Shareholding was estimated by management at HK\$118,730,000. Compared with their respective carrying amounts before valuation, no fair value gain or loss was recognized.

Upon the completion of the Step Acquisition on August 6, 2019, the Orizen Group, the former 45% associates of the Group, became 88% owned subsidiaries of the Group.

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

	August 6, 2019
	HK\$'000
Property, plant and equipment	3,248
Intangible assets	217,097
Cash and cash equivalents	5,260
Inventories	12,084
Trade and other receivables	10,812
Trade and other payables	(8,603)
Current tax payable	(1,950)
Lease liabilities	(2,116)
Deferred tax liabilities	(35,920)
Fair value of net assets acquired	199,912
Less: fair value of Existing Shareholding	(118,730)
Less: non-controlling interests	(23,989)
Goodwill	56,191
Total consideration, satisfied in cash paid by an intermediate holding company (note 19(E)) ...	113,384
Cash and cash equivalents acquired and net cash inflow from step acquisition of subsidiaries ..	5,260

Goodwill arising from the acquisition of the Orizen Group represents the benefits of expected synergies to be achieved from integrating the subsidiaries into the Group's existing businesses and future market development. None of the goodwill recognized is expected to be deductible for tax purposes. The transaction costs of HK\$398,000 incurred for the Step Acquisition were expensed and included in "Administrative and other operating expenses" in the consolidated statement of profit or loss and other comprehensive income during the year ended March 31, 2020.

The Orizen Group contributed revenue of HK\$70,892,000 and profit of HK\$11,030,000 to the Group for the period from August 6, 2019 to March 31, 2020. If the Step Acquisition had occurred on April 1, 2019, the Group's revenue and profit for the year ended March 31, 2020 would have increased by HK\$36,349,000 and HK\$5,446,000 (after deduction of 45% share of profits from April 1, 2019 to August 6, 2019) respectively.

The pre-acquisition financial information of the Orizen Group from April 1, 2019 to the date of the completion of the Step Acquisition on August 6, 2019 is set out in note 33.

Measurement of fair value

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation techniques
Intangible assets	Excess earnings method: The method determines the value of an intangible asset as the present value of the cash flows attributable to the subject intangible asset after excluding the proportion of cash flows that are attributable to contributory assets.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arise in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(A) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents and trade and other receivables. Cash and cash equivalents are normally placed at financial institutions that have sound credit ratings and the Group considers the credit risk to be insignificant. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As of March 31, 2018, 2019 and 2020 and July 31, 2020, 3.9%, 4.2%, 6.3% and 29.6% of the total trade and other receivables was due from the Group's largest debtor and 11.1%, 12.9%, 16.5% and 37.7% was due from the five largest debtors respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which, except for amounts due from customers with known financial difficulties or significant doubt on collection that are assessed individually, is calculated using a provision matrix. Accordingly, the Group recognized credit loss allowance of HK\$Nil, HK\$2,600,000, HK\$2,600,000 and HK\$2,600,000 for a single customer with significant doubt on collection that is individually impaired at years ended March 31, 2018, 2019 and 2020 and four months ended July 31, 2020 respectively. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Expected loss rates are based on actual loss experience over the past two years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The Group assessed that the expected credit loss rate were 0.2%, 0.3%, 0.3% and 0.3% and therefore 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 for the abovementioned customer, and no provision matrix has therefore been disclosed.

(B) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The contractual undiscounted cash outflows of trade and other payables excluding contract liabilities as of March 31, 2018, 2019 and 2020 and July 31, 2020 are due within 1 year or on demand and equal their carrying value at the end of the reporting period.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's bank loans, lease liabilities and amount due to the immediate holding company, which are based on contractual undiscounted cash outflows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period).

As the directors do not expect the banks would exercise the rights to demand repayment, the bank loans subject to repayment on demand clause are expected to be repayable based on the specific repayment terms. Hence, for these bank loans, the following tables show the contractual undiscounted cash outflows according to the specific repayment terms and, separately, the impact to the timing of the cash outflows if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

As of March 31, 2018							
Contractual undiscounted cash outflow							
	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans	–	3,460	3,460	4,945	2,222	14,087	12,878
Lease liabilities . . .	–	7,444	6,235	5,864	–	19,543	18,624
	–	10,904	9,695	10,809	2,222	33,630	31,502
Adjustments to disclose cash flows on bank loans based on lender's right to demand repayment	12,878	(3,460)	(3,460)	(4,945)	(2,222)	(1,209)	–
	<u>12,878</u>	<u>7,444</u>	<u>6,235</u>	<u>5,864</u>	<u>–</u>	<u>32,421</u>	<u>31,502</u>

As of March 31, 2019							
Contractual undiscounted cash outflow							
	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans	–	747	747	2,243	1,488	5,225	4,733
Lease liabilities ...	–	7,905	4,918	3,177	–	16,000	15,423
	–	8,652	5,665	5,420	1,488	21,225	20,156
Adjustments to disclose cash flows on bank loans based on lender's right to demand repayment	4,733	(747)	(747)	(2,243)	(1,488)	(492)	–
	<u>4,733</u>	<u>7,905</u>	<u>4,918</u>	<u>3,177</u>	<u>–</u>	<u>20,733</u>	<u>20,156</u>

As of March 31, 2020						
Contractual undiscounted cash outflow						
	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Lease liabilities	–	9,343	5,946	665	15,954	15,540
Amount due to the immediate holding company	–	8,800	448,800	–	457,600	440,000
	–	18,143	454,746	665	473,554	455,540

As of July 31, 2020						
Contractual undiscounted cash outflow						
	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Lease liabilities	–	9,622	5,271	266	15,159	14,788
Amount due to the immediate holding company	–	7,400	377,866	–	385,266	372,933
	–	17,022	383,137	266	400,425	387,721

(C) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	As of March 31,				As of July 31,			
	2018		2019		2020		2020	
	Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount
	HK\$'000	HK\$'000		HK\$'000		HK\$'000		HK\$'000
Fixed rate borrowings:								
Amount due to the immediate holding company	–	–	–	–	2.00%	440,000	2.00%	372,933
Amount due to a fellow subsidiary	4.17%	27,748	4.82%	32,528	–	–	–	–
Lease liabilities	3.30%	18,624	3.30%	15,423	2.95%- 3.30%	15,540	2.95%- 3.30%	14,788
		46,372		47,951		455,540		387,721
Variable rate borrowings:								
Bank loans	2.30%- 5.00%	12,878	2.77%- 5.00%	4,733	–	–	–	–
Total interest-bearing borrowings		59,250		52,684		455,540		387,721
Fixed rate borrowings as a percentage of total net borrowings		78%		91%		100%		100%

(ii) Sensitivity analysis

As of March 31, 2018, 2019 and 2020 and July 31, 2020, it is estimated that a general increase/decrease of 10 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately HK\$11,000, HK\$4,000, HK\$Nil, and HK\$Nil respectively.

The sensitivity analysis above indicates the annualized impact on the Group's interest expense that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rate instruments which expose the Group to cash flow interest rate risk at that date. The analysis does not take into account exposure to fair value interest rate risk arising from fixed rate instruments as the Group does not hold any fixed rate instruments which are measured at fair value in the Historical Financial Information. The analysis is performed on the same basis throughout the Relevant Periods.

(D) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Euros, United States dollars and Renminbi. The Group manages this risk as follows:

In respect of trade and other receivables and payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

All the Group's borrowings are denominated in the functional currency of the entity taking out the loan or, in the case of Group entities whose functional currency is Hong Kong dollars, in either Hong Kong dollars or United States dollars. Given this, management does not expect that there will be any significant currency risk associated with the Group's borrowings.

(i) *Exposure to currency risk*

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of the reporting period. Differences resulting from the translation of the financial information of operations outside Hong Kong into the Group's presentation currency are excluded.

	As of March 31,									As of July 31,		
	2018			2019			2020			2020		
	United States		Renminbi	United States		Renminbi	United States		Renminbi	United States		Renminbi
	dollars	Euros		dollars	Euros		dollars	Euros		dollars	Euros	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Cash and cash equivalents	-	1,029	-	156	11	4,691	12,574	195	6,653	1,942	895	4,412
Trade and other receivables	29	6	625	1,348	6,741	4,001	2,924	2,715	4,866	1,906	203	6,038
Trade and other payables and contract liabilities	(633)	(3,465)	(44)	(553)	(399)	(2,779)	(709)	(514)	-	(2,174)	(428)	-
Net exposure arising from recognized assets and liabilities	(604)	(2,430)	581	951	6,353	5,913	14,789	2,396	11,519	1,674	670	10,450

(ii) *Sensitivity analysis*

The following table indicates the instantaneous change in the Group's profit after tax and retained earnings that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	As of March 31,						As of July 31,	
	2018		2019		2020		2020	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings
		HK\$'000		HK\$'000		HK\$'000		HK\$'000
Euros	16%	(325)	9%	477	3%	60	2%	12
	(16)%	325	(9)%	(477)	(3)%	(60)	(2)%	(12)
Renminbi	10%	49	6%	296	7%	673	3%	262
	(10)%	(49)	(6)%	(296)	(7)%	(673)	(3)%	(262)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purpose.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial information of operations outside Hong Kong into the Group's presentation currency. The analysis is performed on the same basis throughout the Relevant Periods.

(E) Fair value measurement

(a) Fair value hierarchy

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

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

The following table presents the Group's financial assets that were measured at fair value at March 31, 2020 and July 31, 2020. The Group had no financial assets measured at fair value at March 31, 2018 and 2019.

	Fair value at March 31, 2020	Fair value measurements at March 31, 2020 categorized into		
		Level 1	Level 2	Level 3
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity assets at FVOCI				
– Unlisted	36,041	–	36,041	–
	Fair value at July 31, 2020	Fair value measurements at July 31, 2020 categorized into		
		Level 1	Level 2	Level 3
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity assets at FVOCI				
– Unlisted	36,041	–	36,041	–

There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 during the year ended March 31, 2020 and four months ended July 31, 2020. The Group's policy is to recognize transfers between levels of fair value hierarchy as of the end of the period in the which they occur.

(b) Valuation techniques and inputs used in level 2 fair value measurement

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

(c) Fair value of financial assets and liabilities carried at other than fair value

The carrying amount of the Group's financial instruments carried at amortized cost were not materially different from their fair values as of March 31, 2018, 2019 and 2020 and July 31, 2020.

(F) Estimation of fair values***Financial guarantees***

Fair value of financial guarantees issued is determined by reference to fee charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantees are made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

28 CONTINGENT LIABILITIES

JML is one of the entities covered by certain cross guarantee arrangements issued by JML and certain fellow subsidiaries of the Company to banks in respect of banking facilities granted to JML and the fellow subsidiaries, which remains in force so long as JML and the fellow subsidiaries have drawn down under the banking facilities. Under the guarantees, JML and all the fellow subsidiaries that are a party to the guarantees are jointly and severally liable for all and any of the borrowings of each of them from the banks which are the beneficiary of the guarantees.

As of the end of the Relevant Periods, the directors do not consider it probable that a claim will be made against JML under the guarantees. The maximum liability of the Group at March 31, 2018, 2019 and 2020 and July 31, 2020 under the cross guarantees was HK\$696,738,000, HK\$533,486,000, HK\$831,288,000 and HK\$837,951,000 respectively. The cross guarantees was released in November 2020.

29 COMMITMENTS

Capital commitments outstanding at March 31, 2018, 2019 and 2020 and July 31, 2020 not provided for in the Historical Financial Information are as follows:

	As of March 31,			As of July 31,
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Authorized and contracted for				
– Purchase of intangible assets	–	13,835	13,831	–

30 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the Historical Financial Information, the Group entered into the following material related party transactions:

(A) Key management personnel emoluments

All members of key management personnel are directors of the Company and their compensation is disclosed in note 7.

Total remuneration is included in “staff costs” (see note 5(B)).

(B) Transactions with related parties

	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 logistic 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

The relate party is an associate of a fellow subsidiary of the Company.

(C) Balances with related parties

	Note	As of March 31,			As of
		2018	2019	2020	July 31,
		HK\$'000	HK\$'000	HK\$'000	2020
					HK\$'000
Trade related receivables					
– Trade receivables from fellow subsidiaries	17	107	263	27,096	14,196
– Amounts due from fellow subsidiaries	17	762	590	22,849	20
Non-trade related receivables					
– Amounts due from fellow subsidiaries	17	157,161	187,864	38	–
– Amounts due from an intermediate holding company .	17	26,416	11,863	11,100	–
Trade related payables					
– Trade payables to fellow subsidiaries	20	–	–	1,366	177
– Amounts due to fellow subsidiaries	20	20,340	12,906	39,253	4,703
Non-trade related payables					
– Amount due to a joint venture	20	–	–	2,500	2,500
– Amounts due to fellow subsidiaries	20	218,955	349,628	1,126	–
– Amounts due to an intermediate holding company ...	20	639,514	625,964	10,824	1,637
– Amount due to the immediate holding company	20	–	–	440,000	372,933

(D) Applicability of the Hong Kong Listing Rules relating to connected transactions

The related party transactions disclosed in note 30(B) above constitute connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules.

31 ULTIMATE CONTROLLING PARTY

At March 31, 2018, 2019, 2020 and July 31, 2020, the directors consider the ultimate controlling party of the Group to be Kingshill Development Limited, which is incorporated in BVI. The intermediate holding company, JPCL, produces financial statements available for public use.

32 ACCOUNTING JUDGMENTS AND ESTIMATES

Key sources of estimation uncertainty

Note 27(E) contains information about the assumptions and their risk factors relating to valuation of financial instruments. Other key sources of estimation uncertainty are as follows:

Impairment of intangible assets

In considering the impairment losses that may be required for the Group's intangible assets (including goodwill), the recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs of disposal and value in use. It is difficult to precisely estimate the fair value less costs of disposal because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present values, which requires significant judgment relating to items such as the level of sales volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sales volume, selling prices and amount of operating costs.

Any increase or decrease in the above impairment losses would affect the net profit in future years.

33 PRE-ACQUISITION FINANCIAL INFORMATION OF THE ORIZEN GROUP

The pre-acquisition financial information of the Orizen Group for the years ended March 31, 2018 and 2019 and the period from April 1, 2019 to August 6, 2019 (completion date of the Step Acquisition) is provided below. The accounting policies adopted in the preparation of the pre-acquisition financial information are consistent with those adopted in the preparation of the Historical Financial Information of the Group, which are set out in note 2.

(A) Consolidated statements of profit or loss and other comprehensive income

(Expressed in Hong Kong dollars)

	Note	Year ended March 31,		Period from
		2018	2019	April 1, 2019 to August 6, 2019
		HK\$'000	HK\$'000	HK\$'000
Revenue	(1)	86,004	100,747	36,349
Cost of sales		(44,330)	(53,741)	(19,146)
Gross profit		41,674	47,006	17,203
Other income	(2)	13	38	87
Administrative and other operating expenses		(16,927)	(20,761)	(6,600)
Profit from operations		24,760	26,283	10,690
Finance costs	(3)(i)	(43)	(117)	(35)
Profit before taxation	(3)	24,717	26,166	10,655
Income tax	(4)(i)	(4,054)	(4,119)	(1,750)
Profit and total comprehensive income for year/period		20,663	22,047	8,905

(B) Consolidated statements of financial position*(Expressed in Hong Kong dollars)*

	Note	As of March 31,		As of
		2018	2019	August 6,
		HK\$'000	HK\$'000	2019
				HK\$'000
Non-current asset				
Property, plant and equipment	(7)	3,832	3,928	2,645
		<u>3,832</u>	<u>3,928</u>	<u>2,645</u>
Current assets				
Inventories	(9)	16,424	11,649	12,084
Trade and other receivables	(10)	8,865	9,627	10,812
Cash and cash equivalents	(11)	9,806	23,155	5,260
		<u>35,095</u>	<u>44,431</u>	<u>28,156</u>
Current liabilities				
Trade and other payables	(12)	14,314	16,730	8,603
Lease liabilities	(13)	1,767	2,611	1,884
Current tax payable		545	200	1,950
		<u>16,626</u>	<u>19,541</u>	<u>12,437</u>
Net current assets		<u>18,469</u>	<u>24,890</u>	<u>15,719</u>
Total assets less current liabilities		<u>22,301</u>	<u>28,818</u>	<u>18,364</u>
Non-current liability				
Lease liabilities	(13)	1,638	791	232
		<u>1,638</u>	<u>791</u>	<u>232</u>
NET ASSETS		<u>20,663</u>	<u>28,027</u>	<u>18,132</u>
CAPITAL AND RESERVES				
Share capital	(14)(i)	—*	—*	—*
Reserves		20,663	28,027	18,132
TOTAL EQUITY		<u>20,663</u>	<u>28,027</u>	<u>18,132</u>

* The balances represent amount less than HK\$1,000.

(C) Consolidated statements of changes in equity*(Expressed in Hong Kong dollars)*

	Note	Share capital	Retained earnings	Total
		(note 14(i))		
		HK\$'000	HK\$'000	HK\$'000
At April 1, 2017		—*	17,635	17,635
Profit and other comprehensive income for the year ..		—	20,663	20,663
Interim dividend declared	(6)	—	(17,635)	(17,635)
		—	3,028	3,028
At March 31, 2018		—*	20,663	20,663
At April 1, 2018		—*	20,663	20,663
Profit and other comprehensive income for the year ..		—	22,047	22,047
Interim dividend declared	(6)	—	(14,683)	(14,683)
		—	7,364	7,364
At March 31, 2019		—*	28,027	28,027
At April 1, 2019		—*	28,027	28,027
Profit and other comprehensive income for the period		—	8,905	8,905
Interim dividend declared	(6)	—	(18,800)	(18,800)
		—	(9,895)	(9,895)
At August 6, 2019		—*	18,132	18,132

* The balances represent amount less than HK\$1,000.

(D) Consolidated cash flow statements*(Expressed in Hong Kong dollars)*

	Note	Year ended March 31,		Period from
		2018	2019	April 1, 2019
		HK\$'000	HK\$'000	to August 6, 2019
				HK\$'000
Operating activities				
Cash generated from operations	(11)(ii)	22,560	35,323	2,735
Income tax paid		(3,728)	(4,464)	—
Net cash generated from operating activities		18,832	30,859	2,735
Investing activities				
Payment for purchase of property, plant and equipment		(486)	(318)	(11)
Interest received		2	6	12
Net cash (used in)/generated from investing activities		(484)	(312)	1
Financing activities				
Capital element of lease rentals paid	(11)(iii)	(597)	(2,398)	(1,796)
Interest element of lease rentals paid	(11)(iii)	(43)	(117)	(35)
Dividends paid		(17,635)	(14,683)	(18,800)
Net cash used in financing activities		(18,275)	(17,198)	(20,631)
Net increase/(decrease) in cash and cash equivalents		73	13,349	(17,895)
Cash and cash equivalents at the beginning of the year/period		9,733	9,806	23,155
Cash and cash equivalents at the end of the year/period		9,806	23,155	5,260

Notes:

(1) Revenue

Revenue represents the sale of proprietary Chinese medicines under the brand names of "Hoitin" and "Shenfoong."

(2) Other income

	Year ended March 31,		Period from
	2018	2019	April 1, 2019 to
	HK\$'000	HK\$'000	August 6, 2019
			HK\$'000
Interest income from bank deposits	2	6	12
Others	11	32	75
	13	38	87

(3) Profit before taxation

Profit before taxation is arrived at after charging:

(i) Finance costs

	Year ended March 31,		Period from
	2018	2019	April 1, 2019 to August 6, 2019
	HK\$'000	HK\$'000	HK\$'000
Interest on lease liabilities	43	117	35

(ii) Staff costs

	Year ended March 31,		Period from
	2018	2019	April 1, 2019 to August 6, 2019
	HK\$'000	HK\$'000	HK\$'000
Salaries, wages and other benefits	8,782	10,100	2,963
Contributions to defined contribution retirement schemes	348	392	155
	9,130	10,492	3,118

(iii) Other items

	Year ended March 31,		Period from
	2018	2019	April 1, 2019 to August 6, 2019
	HK\$'000	HK\$'000	HK\$'000
Depreciation (note (7))			
– owned property, plant and equipment	170	186	60
– right-of-use assets	616	2,431	1,744
	786	2,617	1,804
Auditors' remuneration			
– audit services	50	70	–
Cost of inventories	44,330	53,741	19,146

(4) Income tax

(i) Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended March 31,		Period from
	2018	2019	April 1, 2019 to August 6, 2019
	HK\$'000	HK\$'000	HK\$'000
Current tax			
Provision for the year/period	4,054	4,119	1,750

(ii) Reconciliation between tax expense and accounting profit at applicable tax rate:

	Year ended March 31,		Period from
	2018	2019	April 1, 2019 to August 6, 2019
	HK\$'000	HK\$'000	HK\$'000
Profit before taxation	24,717	26,166	10,655
Notional tax on profit before taxation calculated at the rate applicable to profits in the tax jurisdiction concerned	4,078	4,152	1,758
Effect of non-taxable income	–	(1)	(2)
Effect of tax concessions obtained	(30)	(20)	–
Effect of temporary differences not recognized	6	(12)	(6)
Actual tax expense	4,054	4,119	1,750

Note: The provision for Hong Kong Profits Tax for the year ended March 31, 2018 is calculated at 16.5%, taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2017-2018 subject to a maximum reduction of HK\$30,000. In March 2018, the Hong Kong SAR Government introduced a two-tiered profits tax rate regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the “**Ordinance**”). Under the two-tiered profits tax rate regime, the first HK\$2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The Ordinance is effective from the year of assessment 2018-2019. Accordingly, the provision for Hong Kong Profits Tax for the year ended March 31, 2019 is calculated in accordance with the two-tiered profits tax rate regime, taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2018-19 subject to a maximum reduction of \$20,000.

The provision for Hong Kong Profits Tax for the period ended August 6, 2019 is calculated at 16.5%.

(5) Directors' emoluments

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

	Year ended March 31,		Period from
	2018	2019	April 1, 2019 to August 6, 2019
	HK\$'000	HK\$'000	HK\$'000
Directors' fees	–	–	–
Salaries, allowances and benefits in kind	1,303	1,500	240
Discretionary bonuses	–	–	–
Retirement scheme contributions	18	18	6
	1,321	1,518	246

(6) Dividends

	Year ended March 31,		Period from
	2018	2019	April 1, 2019 to August 6, 2019
	HK\$'000	HK\$'000	HK\$'000
Interim dividend declared and paid of HK\$176,345.18, HK\$146,830.30 and HK\$188,000.00 per share for the years ended March 31, 2018 and 2019 and period from April 1, 2019 to August 6, 2019	17,635	14,683	18,800

(7) Property, plant and equipment

(i) Reconciliation of carrying amount

	Buildings leased for own use	Machinery and equipment	Furniture, fixtures and office equipment	Leasehold improvements	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:					
At April 1, 2017	3,647	142	885	1,148	5,822
Additions	1,304	–	104	382	1,790
At March 31, 2018	4,951	142	989	1,530	7,612
Accumulated depreciation:					
At April 1, 2017	949	110	800	1,135	2,994
Charge for the year	616	28	55	87	786
At March 31, 2018	1,565	138	855	1,222	3,780
Net book value:					
At March 31, 2018	3,386	4	134	308	3,832

	Buildings leased for own use	Machinery and equipment	Furniture, fixtures and office equipment	Leasehold improvements	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:					
At April 1, 2018	4,951	142	989	1,530	7,612
Additions	2,395	318	–	–	2,713
At March 31, 2019	7,346	460	989	1,530	10,325
Accumulated depreciation:					
At April 1, 2018	1,565	138	855	1,222	3,780
Charge for the year	2,431	68	40	78	2,617
At March 31, 2019	3,996	206	895	1,300	6,397
Net book value:					
At March 31, 2019	3,350	254	94	230	3,928

	Buildings leased for own use	Machinery and equipment	Furniture, fixtures and office equipment	Leasehold improvements	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:					
At April 1, 2019	7,346	460	989	1,530	10,325
Additions	510	–	11	–	521
At August 6, 2019	7,856	460	1,000	1,530	10,846
Accumulated depreciation:					
At April 1, 2018	3,996	206	895	1,300	6,397
Charge for the period	1,744	21	13	26	1,804
At August 6, 2019	5,740	227	908	1,326	8,201
Net book value:					
At August 6, 2019	2,116	233	92	204	2,645

(ii) Right-of-use assets

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

	As of March 31,		As of
	2018	2019	August 6, 2019
	HK\$'000	HK\$'000	HK\$'000
Buildings leased for own use, carried at depreciated cost	3,386	3,350	2,116

Orizen Group has obtained the right to use other properties as its offices and warehouses through tenancy agreements. The leases typically run for an initial period of 1 to 3 years.

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

	As of March 31,		Period from
	2018	2019	April 1, 2019 to August 6, 2019
	HK\$'000	HK\$'000	HK\$'000
Depreciation charge of right-of-use assets by class of underlying asset:			
Buildings leased for own use	616	2,431	1,744
Interest on lease liabilities (note (3)(i))	43	117	35

(8) Investment in a subsidiary

Details of Orizen's subsidiary are as follows:

Company name	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activities
				effective interest	Held by Orizen	Held by a subsidiary	
PCCH	Incorporated	Hong Kong	100 ordinary shares	100%	100%	–	Trading, wholesaling and retailing of Chinese medicine

(9) Inventories

(i) Inventories in the consolidated statement of financial position comprise:

	As of March 31,		As of
	2018	2019	August 6, 2019
	HK\$'000	HK\$'000	HK\$'000
Finished goods	16,424	11,649	12,084

(10) Trade and other receivables

	As of March 31,		As of
	2018	2019	August 6, 2019
	HK\$'000	HK\$'000	HK\$'000
Trade receivables	7,334	8,067	8,896
Other receivables	1	679	693
Deposits and prepayments	1,530	881	1,223
	8,865	9,627	10,812

At March 31, 2018 and 2019 and August 6, 2019, the deposits and prepayments expected to be recovered after more than one year amounted to HK\$745,000, HK\$727,000 and HK\$926,000 respectively. The remaining trade and other receivables are expected to be recovered within one year.

Orizen Group normally allows a credit period of within 90 days to its customers.

Aging analysis

As of the end of the reporting period, the aging analysis of trade receivables (which are included in trade and other receivables) based on the invoice date and net of loss allowance, is as follows:

	As of March 31,		As of
	2018	2019	August 6, 2019
	HK\$'000	HK\$'000	HK\$'000
Less than 1 month	5,512	6,494	6,742
1 to 6 months	1,822	1,573	2,154
	<u>7,334</u>	<u>8,067</u>	<u>8,896</u>

The aging analysis of trade receivables (net of loss allowance) by due dates is as follows:

	As of March 31,		As of
	2018	2019	August 6, 2019
	HK\$'000	HK\$'000	HK\$'000
Current	5,512	6,494	6,150
Less than 1 month past due	946	666	1,667
1 to 3 months past due	581	455	791
Over 3 months past due	295	452	288
	<u>7,334</u>	<u>8,067</u>	<u>8,896</u>

(11) Cash and cash equivalents and other cash flow information

(i) Cash and cash equivalents comprise:

	As of March 31,		As of
	2018	2019	August 6, 2019
	HK\$'000	HK\$'000	HK\$'000
Cash at bank and on hand	<u>9,806</u>	<u>23,155</u>	<u>5,260</u>

(ii) Reconciliation of profit before taxation to cash generated from operations:

	Note	Year ended March 31,		Period from
		2018	2019	April 1, 2019 to August 6, 2019
		HK\$'000	HK\$'000	HK\$'000
Operating activities				
Profit before taxation		24,717	26,166	10,655
Adjustments for:				
Depreciation	(3)(iii)	786	2,617	1,804
Finance costs	(3)(i)	43	117	35
Interest income from bank deposits	(2)	(2)	(6)	(12)
Changes in working capital:				
(Increase)/decrease in inventories		(9,484)	4,775	(435)
Decrease/(increase) in trade and other receivables		1,313	(762)	(1,185)
Increase/(decrease) in trade and other payables		5,187	2,416	(8,127)
Cash generated from operations		<u>22,560</u>	<u>35,323</u>	<u>2,735</u>

(iii) Reconciliation of liabilities arising from financing activities

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

	Lease liabilities
	HK\$'000
	(note (13))
At April 1, 2017	2,698
Changes from financing cash flows:	
Capital element of lease rentals paid	(597)
Interest element of lease rentals paid	(43)
Total changes from financing cash flows	(640)
Other changes:	
Increase in lease liabilities from entering into new leases during the year	1,304
Interest expenses (note (3)(i))	43
Total other changes	1,347
At March 31, 2018	3,405
	Lease liabilities
	HK\$'000
	(note (13))
At April 1, 2018	3,405
Changes from financing cash flows:	
Capital element of lease rentals paid	(2,398)
Interest element of lease rentals paid	(117)
Total changes from financing cash flows	(2,515)
Other changes:	
Increase in lease liabilities from entering into new leases during the year	2,395
Interest expenses (note (3)(i))	117
Total other changes	2,512
At March 31, 2019	3,402
	Lease liabilities
	HK\$'000
	(note (13))
At April 1, 2019	3,402
Changes from financing cash flows:	
Capital element of lease rentals paid	(1,796)
Interest element of lease rentals paid	(35)
Total changes from financing cash flows	(1,831)
Other changes:	
Increase in lease liabilities from entering into new leases during the period	510
Interest expenses (note (3)(i))	35
Total other changes	545
At August 6, 2019	2,116

(iv) Total cash outflow for leases

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

	As of March 31,		As of
	2018	2019	August 6,
	HK\$'000	HK\$'000	2019
Within financing cash flows	640	2,515	1,831

These amounts are related to lease rental payments.

(12) Trade and other payables

	As of March 31,		As of
	2018	2019	August 6,
	HK\$'000	HK\$'000	2019
Trade payables	10,521	12,628	8,098
Other payables and accruals	3,793	4,102	505
	14,314	16,730	8,603

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

As of the end of the reporting period, the aging analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	As of March 31,		As of
	2018	2019	August 6,
	HK\$'000	HK\$'000	2019
Within 1 month	4,900	3,461	3,647
1 to 6 months	5,621	9,167	4,451
	10,521	12,628	8,098

(13) Lease liabilities

The following table shows the remaining contractual maturities of Orizen Group's lease liabilities at the end of each reporting period:

	As of March 31, 2018		As of March 31, 2019		As of August 6, 2019	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	HK\$'000	HK \$'000	HK \$'000	HK \$'000	HK \$'000	HK \$'000
Within 1 year	1,767	1,848	2,611	2,672	1,884	1,919
After 1 year but within 2 years	1,412	1,436	791	796	232	235
After 2 years but within 5 years	226	228	-	-	-	-
	1,638	1,664	791	796	232	235
	3,405	3,512	3,402	3,468	2,116	2,154
Less: total future interest expenses		(107)		(66)		(38)
Present value of lease liabilities		3,405		3,402		2,116

- (14) Capital
 (i) Share capital

	As of March 31,				As of August 6,	
	2018		2019		2019	
	No. of shares	Amount HK\$'000	No. of shares	Amount HK\$'000	No. of shares	Amount HK\$'000
Authorized:						
Ordinary shares of HK\$1 each						
Ordinary shares, issued and fully paid:						
At the beginning and end of year/period	100	—*	100	—*	100	—*

* The balances represent amount less than HK\$1,000.

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

- (ii) Capital management

Orizen Group's primary objectives when managing capital are to safeguard Orizen Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders.

The Orizen Group defines "capital" as including all components of equity.

The Orizen Group's capital structure is regularly reviewed and managed with due regard to the capital management practices of the group to which the company belongs. The company is not subject to any externally imposed capital requirement.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards, and interpretations which are not yet effective for the Relevant Periods and which have not been adopted in the Historical Financial Information. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendment to HKFRS 16, <i>Covid-19-related rent concessions</i>	June 1, 2020
Amendments to HKFRS 3, <i>Reference to the conceptual framework</i>	January 1, 2022
Amendments to HKAS 16, <i>Property, plant and equipment: proceeds before intended Use</i>	January 1, 2022
Amendments to HKAS 37, <i>Onerous contracts – cost of fulfilling a contract</i>	January 1, 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	January 1, 2022
HKFRS 17, <i>Insurance contracts</i>	January 1, 2023
Amendments to HKFRS 10 and HKAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to July 31, 2020.