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## **JBM (HEALTHCARE) LIMITED**

**健倍苗苗(保健)有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2161)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2021**

#### **FINANCIAL HIGHLIGHTS**

- The revenue for the financial year ended 31 March 2021 amounted to approximately HK\$397.2 million, representing an increase of about 4.1% as compared to that of approximately HK\$381.5 million for the corresponding year of 2020.
- Adjusted profit from operations (after adding back the one-off listing expenses) for the same year amounted to approximately HK\$82.3 million, representing an increase of about 39.4% as compared to that of approximately HK\$59.0 million for the corresponding year of 2020.
- Adjusted profit attributable to equity shareholders of the Company (after adding back the one-off listing expenses) for the same year amounted to approximately HK\$54.6 million, representing an increase of about 13.3% as compared to that of approximately HK\$48.2 million for the corresponding year of 2020.
- The Board does not recommend the payment of a final dividend in respect of the year ended 31 March 2021.

The Board is pleased to announce the audited consolidated annual results of the Group for the year ended 31 March 2021, together with the comparative figures for the corresponding year of 2020 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March	
	Note	2021 HK\$'000	2020 HK\$'000
<b>Revenue</b>	4	<b>397,158</b>	381,542
Cost of sales		<u>(198,725)</u>	<u>(191,363)</u>
<b>Gross profit</b>		<b>198,433</b>	190,179
Other net income	5	<b>11,371</b>	8,087
Selling and distribution expenses		<b>(85,705)</b>	(89,000)
Administrative and other operating expenses		<b>(41,816)</b>	(50,229)
Listing expenses		<u><b>(32,007)</b></u>	<u>(7,189)</u>
<b>Profit from operations</b>		<b>50,276</b>	51,848
Finance costs	6(a)	<b>(7,409)</b>	(845)
Share of (losses)/profits of associates		<b>(1,054)</b>	2,963
Share of losses of joint ventures		<u><b>(132)</b></u>	<u>–</u>
<b>Profit before taxation</b>	6	<b>41,681</b>	53,966
Income tax	7	<u><b>(11,062)</b></u>	<u>(9,669)</u>
<b>Profit for the year</b>		<u><b>30,619</b></u>	<u>44,297</u>
<b>Other comprehensive income for the year</b>			
<i>Item that will not be reclassified subsequently to profit or loss, net of nil tax:</i>			
Revaluation of financial assets at fair value through other comprehensive income		<b>(10,720)</b>	–
<i>Item that may be reclassified subsequently to profit or loss, net of nil tax:</i>			
Exchange differences on translation of financial statements of operations outside Hong Kong		<u><b>1,194</b></u>	<u>(537)</u>
Other comprehensive income		<u><b>(9,526)</b></u>	<u>(537)</u>
<b>Total comprehensive income for the year</b>		<u><b>21,093</b></u>	<u>43,760</u>

		<b>Year ended 31 March</b>	
		<b>2021</b>	<b>2020</b>
<i>Note</i>		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Profit attributable to:</b>			
	Equity shareholders of the Company	<b>22,600</b>	41,022
	Non-controlling interests	<b>8,019</b>	3,275
		<hr/>	<hr/>
	<b>Total profit for the year</b>	<b>30,619</b>	44,297
		<hr/>	<hr/>
<b>Total comprehensive income attributable to:</b>			
	Equity shareholders of the Company	<b>13,074</b>	40,485
	Non-controlling interests	<b>8,019</b>	3,275
		<hr/>	<hr/>
	<b>Total comprehensive income for the year</b>	<b>21,093</b>	43,760
		<hr/>	<hr/>
		<b><i>HK cents</i></b>	<b><i>HK cents</i></b>
<b>Earnings per share</b>			
	Basic and diluted	<b>2.78</b>	5.68
		<hr/>	<hr/>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March	
		2021	2020
	Note	HK\$'000	HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		190,070	179,665
Intangible assets		851,750	854,014
Interests in associates		16,905	17,959
Interests in joint ventures		4,036	2,500
Other non-current assets		6,741	6,584
Other financial assets		25,321	36,041
Deferred tax assets		2,062	1,355
		<u>1,096,885</u>	<u>1,098,118</u>
<b>Current assets</b>			
Inventories		48,016	63,778
Trade and other receivables	10	141,248	129,909
Current tax recoverable		668	3,641
Cash and cash equivalents		94,376	72,790
		<u>284,308</u>	<u>270,118</u>
<b>Current liabilities</b>			
Trade and other payables and contract liabilities	11	56,970	85,837
Bank loans		60,000	—
Lease liabilities		12,882	9,025
Current tax payable		7,290	4,998
		<u>137,142</u>	<u>99,860</u>
<b>Net current assets</b>		<u>147,166</u>	<u>170,258</u>
<b>Total assets less current liabilities</b>		<u>1,244,051</u>	<u>1,268,376</u>

		<b>As at 31 March</b>	
		<b>2021</b>	<b>2020</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current liabilities</b>			
Bank loans		<b>175,000</b>	–
Lease liabilities		<b>20,036</b>	6,515
Amount due to the immediate holding company		–	440,000
Deferred tax liabilities		<b>102,072</b>	107,157
		<u><b>297,108</b></u>	<u>553,672</u>
<b>NET ASSETS</b>		<u><b>946,943</b></u>	<u>714,704</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	12	<b>8,937</b>	10
Reserves		<b>895,771</b>	657,320
<b>Total equity attributable to equity shareholders of the Company</b>		<b>904,708</b>	657,330
Non-controlling interests		<b>42,235</b>	57,374
<b>TOTAL EQUITY</b>		<u><b>946,943</b></u>	<u>714,704</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 CORPORATE INFORMATION

JBH (Healthcare) Limited is an exempted company with limited liability incorporated in the Cayman Islands. The Company is an investment holding company. The Company and its subsidiaries are principally engaged in manufacturing and trading of proprietary medicines and distributing health and wellness products. The Company's shares were listed on the Main Board on 5 February 2021.

### 2 BASIS OF PREPARATION

The financial results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 March 2021 but are extracted from those consolidated financial statements.

The consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the consolidated financial statements for the year ended 31 March 2020, except for the changes in accounting policies set out in note 3.

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Listing Rules.

The consolidated financial statements of the Group are prepared on the historical cost basis except for investments measured as financial assets at fair value through other comprehensive income ("FVOCI") which are stated at fair values.

### 3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on the Group's results and financial position.

The Group has not applied any new standard or amendments that is not yet effective for the current accounting period, except for the amendment to HKFRS 16, *COVID-19-related rent concessions*, which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 April 2020.

## 4 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 years ended 31 March 2021 and 2020 was recognised in accordance with HKFRS 15, *Revenue from contracts with customers*.

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

### (b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. 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:

- 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.
- 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.
- 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 amortisation 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 these financial statements.

No inter-segment sales have occurred during the years ended 31 March 2021 and 2020.

(i) **Segment revenue and results**

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

	Branded medicines		Proprietary Chinese medicines		Health and wellness products		Total	
	Year ended 31 March		Year ended 31 March		Year ended 31 March		Year ended 31 March	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers and reportable segment revenue recognised at a point in time	134,484	142,215	210,851	184,009	51,823	55,318	397,158	381,542
Reportable segment gross profit	88,805	100,543	90,069	67,217	19,559	22,419	198,433	190,179

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

	Year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
<b>Revenue</b>		
Reportable segment revenue and consolidated revenue	397,158	381,542
<b>Profit</b>		
Reportable segment gross profit	198,433	190,179
Other net income	11,371	8,087
Selling and distribution expenses	(85,705)	(89,000)
Administrative and other operating expenses	(41,816)	(50,229)
Listing expenses	(32,007)	(7,189)
Finance costs	(7,409)	(845)
Share of (losses)/profits of associates	(1,054)	2,963
Share of losses of joint ventures	(132)	—
Consolidated profit before taxation	41,681	53,966

(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 distributors or the ultimate customers by the Group.

	Year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
<b>Revenue from external customers</b>		
Hong Kong (place of domicile)	300,249	285,589
Macau	46,594	40,890
Mainland China	27,810	23,460
Singapore	4,883	12,237
Others	17,622	19,366
	397,158	381,542



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

	<b>As at 31 March</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Specified non-current assets</b>		
Hong Kong (place of domicile)	<b>1,050,959</b>	1,042,763
Mainland China	<b>18,543</b>	17,959
	<b><u>1,069,502</u></b>	<b><u>1,060,722</u></b>

(iv) *Information about major customer*

For the year ended 31 March 2021, the Group's customer base includes one (2020: Nil) customer of proprietary Chinese medicines and branded medicines segments with whom transactions have exceeded 10% of the Group's revenue. Revenue from sales of proprietary Chinese medicines and branded medicines to this customer amounted to approximately HK\$132,843,000.

**5 OTHER NET INCOME**

	<b>Year ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Commission income	<b>1,285</b>	1,346
Interest income from a fellow subsidiary	–	5,754
Interest income from bank deposits	<b>175</b>	138
Government grants ( <i>Note</i> )	<b>10,117</b>	–
Net foreign exchange (loss)/gain	<b>(1,182)</b>	139
Net loss on disposals of property, plant and equipment	<b>(197)</b>	(235)
Others	<b>1,173</b>	945
	<b><u>11,371</u></b>	<b><u>8,087</u></b>

*Note:* 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 Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

## 6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	<b>Year ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(a) Finance costs</b>		
Interest on bank loans	2,241	45
Interest expense on amount due to the immediate holding company	4,550	–
Interest expense on amount due to a fellow subsidiary	–	305
	<u>4,550</u>	<u>305</u>
Interest on lease liabilities to:		
– third parties	272	292
– fellow subsidiaries	346	203
	<u>618</u>	<u>495</u>
	<u>7,409</u>	<u>845</u>
	<b>Year ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(b) Other items</b>		
Depreciation		
– owned property, plant and equipment	12,979	12,930
– right-of-use assets	11,911	10,447
	<u>24,890</u>	<u>23,377</u>
Amortisation of intangible assets	18,712	12,485
Auditors' remuneration		
– audit services	5,960	1,371
– other services	1,355	318
Cost of inventories	<u>198,725</u>	<u>191,363</u>

## 7 INCOME TAX

	<b>Year ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Current tax</b>		
Provision for the year	<b>17,001</b>	13,276
(Over)/under-provision in respect of prior years	<b>(147)</b>	50
	<b>16,854</b>	13,326
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>(5,792)</b>	(3,657)
	<b>11,062</b>	9,669

The provision for Hong Kong Profits Tax for the year is calculated at 16.5% of the estimated assessable profits for the year. Income tax for entities incorporated in other jurisdictions is charged at the appropriate rates of taxation ruling in the relevant jurisdictions.

## 8 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$22,600,000 (2020: HK\$41,022,000) for the year ended 31 March 2021, and the weighted average ordinary shares in issue calculated as follows:

	<b>Year ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
	<b>'000</b>	<b>'000</b>
<b>Weighted average number of ordinary shares:</b>		
Issued ordinary shares upon capitalisation issue	<b>722,000</b>	722,000
Effect of shares issued	<b>85,247</b>	–
Effect of shares issued upon the initial public offering	<b>6,734</b>	–
Weighted average number of ordinary shares in issue during the year	<b>813,981</b>	722,000

The weighted average number of ordinary shares in issue during the years ended 31 March 2021 and 2020 are calculated based on the assumption that 722,000,000 shares were in issue at the beginning of the years, taking into consideration the effect of the capitalisation issue.

### (b) Diluted earnings per share

Diluted earnings per share for the years ended 31 March 2021 and 2020 were the same as the basic earnings per share as there were no potentially dilutive ordinary shares in existence during both years.

## 9 DIVIDENDS

The Board does not recommend the payment of a final dividend in respect of the year ended 31 March 2021.

## 10 TRADE AND OTHER RECEIVABLES

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
Trade receivables		
– third parties	132,306	45,022
– fellow subsidiaries	1,506	27,096
	<b>133,812</b>	72,118
Other receivables	747	4,574
Amounts due from fellow subsidiaries	–	22,887
Amount due from an intermediate holding company	–	11,100
Deposits and prepayments	6,689	19,230
	<b>141,248</b>	129,909

### Ageing Analysis

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

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
Less than 1 month	64,578	49,661
1 to 6 months	43,404	19,922
Over 6 months	25,830	2,535
	<b>133,812</b>	72,118

## 11 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
Trade payables		
– third parties	13,013	6,072
– fellow subsidiaries	–	1,366
	<b>13,013</b>	7,438
Salary and bonus payables	5,690	4,633
Other payables and accruals	33,460	16,002
Amount due to a joint venture	2,000	2,500
Amounts due to fellow subsidiaries	1,104	40,379
Amount due to an intermediate holding company	–	10,824
Contract liabilities	1,703	4,061
	<b>56,970</b>	85,837

As at 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:

	<b>As at 31 March</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within 1 month	<b>9,231</b>	5,372
1 to 6 months	<b>3,671</b>	2,066
Over 6 months	<b>111</b>	–
	<b>13,013</b>	<b>7,438</b>

## 12 SHARE CAPITAL

	<i>Note</i>	<b>Number of shares '000</b>	<b>Amount HK\$'000</b>
<b>Authorised:</b>			
Ordinary shares of HK\$0.01 each at 7 January 2020 (date of incorporation), 31 March 2020, 1 April 2020 and 31 March 2021		<b>5,000,000</b>	<b>50,000</b>
<b>Issued:</b>			
At 7 January 2020 (date of incorporation)	(i)	100	1
Issuance of ordinary shares	(ii)	900	9
At 31 March 2020		<b>1,000</b>	<b>10</b>
At 1 April 2020		<b>1,000</b>	<b>10</b>
Capitalisation issue	(iii)	<b>721,000</b>	<b>7,210</b>
Issuance of ordinary shares	(iv)	<b>127,000</b>	<b>1,270</b>
Shares issued under initial public offering	(v)	<b>44,686</b>	<b>447</b>
At 31 March 2021		<b>893,686</b>	<b>8,937</b>

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

### Notes:

- (i) The Company was incorporated in the Cayman Islands on 7 January 2020. At the time of incorporation, the Company had an authorised 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.
- (ii) On 31 March 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 share premium.

- (iii) On 24 July 2020, the Company allotted and issued a total of 721,000,000 shares by way of capitalisation of share premium of the Company to JBM Group (BVI) Limited.
- (iv) On 27 July 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 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 Ms. Yang. The difference between the consideration and the 10% of net assets in Orizen Group amounted to approximately HK\$10,642,000 was recognised by the Group in capital reserve.

On the same date, the Company and JBM Group (BVI) Limited 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.

- (v) On 5 February 2021, the Company issued 44,686,000 ordinary shares with a par value of HK\$0.01 each, at price of HK\$1.20 per share by way of a public offering to Hong Kong investors. Net proceeds from such issue amounted to HK\$48,253,000 (after deducting share issuance expenses of HK\$5,370,000), among which HK\$447,000 and HK\$47,806,000 were recorded in share capital and share premium respectively.

### **13 SCOPE OF WORK OF AUDITOR**

The financial figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2021 as set out in the preliminary announcement have been compared by the Group’s auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group’s consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor.

## CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

**“2020 was an extraordinary and challenging year. However, we have moved steadfastly with resolve and resilience to advance our growth strategies.”**

JBM (Healthcare) Limited has always prided itself on being a company that caters to the healthcare needs of consumers and patients alike. In the face of the current global health crisis, we have built on this legacy. Our continued supply of branded medicines, proprietary Chinese medicines, as well as health and wellness products has served well to fulfill the needs of general consumers and healthcare professionals alike.

The pandemic dominated all aspects of life and business in 2020 and JBM was no exception, feeling the impact amongst both the operation and our people. Confronting this huge challenge, the resolve shown by our teams in their dedication to deliver financial and business performance has been praiseworthy. I have been truly gratified to witness JBM deliver on our financial guidance for the year and continue to make progress with our strategy. Over the course of the year, we made noteworthy advances towards the multifaceted strategies that we set out in our 3-year growth plan. We strengthened our pipelines, expanded our geographic reach, built cross-border e-commerce capabilities and forged strategic alliances with partners to better align JBM with our new strategic platform for long-term growth.

This is a testament to the total commitment of the management and operation teams who have navigated the Company through this testing time and ensured people across JBM remained focused on our purpose.

**“Embrace transformation: We expect to see a raised awareness and demand for over-the-counter and self-care products which JBM's portfolio is well placed to cater for.”**

The Board is pleased to see continued progress being made towards the Company's strategic goals in 2020. JBM's transformation through the spin-off from Jacobson Pharma Group to a pure-play self-care consumer-health company has come a long way in just two short years. We sustained a topline revenue growth in 2020 amidst the challenges the pandemic posed, delivered on our financial guidance, reconfigured our portfolio of businesses, and streamlined our operational infrastructure by installing business intelligence capabilities. Operational and financial performance was resilient through the year. Importantly, we are seeing evidence of improved commercial capability and our execution in this area is driving the expansion of our key growth products. Management has also maintained its strong focus on cost control and cash generation. JBM's capital allocation framework focuses on investing in pipeline development, new product launches, and disciplined business development.

Strengthening the pipeline remains the Company's number one priority. The strategic alliance with Kin Fung Weisen-U Company Limited to extend the sales coverage of Weisen-U in Singapore alongside the launch of Weisen-U Digestive Enzyme via the cross-border e-commerce platform is a meaningful move towards this goal. Further collaboration with Vemedia Shine Limited to represent their Excilor Skin-tag line in Taiwan also presents an opportunity for organic growth of the current business. The Board is also pleased to see the progress being made on cross-border e-commerce in which we are building our competence and capability to strengthen our presence and raise our revenue in the years to come.

### **“Our people and culture”**

Our people have shown remarkable dedication and resilience throughout the year in unprecedented circumstances. This has included those employees who have worked tirelessly in our manufacturing, logistics and marketing operations throughout the pandemic in a bid to ensure that our proprietary medicines and consumer health & wellness products continued to reach patients and consumers without disruption.

Their efforts have meant that despite the challenges 2020 posed, we are poised to enter 2021 with our pipeline stronger, our commercial execution sharper and our team spirit higher to ensure that we can deliver sustained growth for the Company.

There is much work to be done for us to pursue our strategic priorities and create shareholder value. The Board will continue to support the Company's priorities and ensure that they are executed effectively. In this regard, I want to thank our people and our partners, for without them we would not have gotten this far. We will continue to count on them as we prepare for our exciting future. Last but not least, I would like to thank our shareholders and customers for their trust and support during this unprecedented year.

Sincerely,

**Sum Kwong Yip, Derek**  
*Chairman*  
**JBM (Healthcare) Limited**

Hong Kong, 29 June 2021



## **CHIEF EXECUTIVE OFFICER'S LETTER TO SHAREHOLDERS**

**Dear Shareholders,**

2020 has set off with a rough ride. The world was struck largely unprepared by the COVID-19 outbreak. Economic activities have been stalled by the restrictive measures that businesses have learned to adapt to and contend in a new mode. The pace of recovery also varies among countries and the global outlook remains uncertain.

Against the backdrop of the pandemic, we remained steadfast with our resolve to navigate the impact of COVID-19 on our business. Amid the hard-hit retail market, a priority response of the team in overcoming the sales challenge was the contemplation of new channel options and exploration of the e-commerce channel to re-connect with our consumers.

Our management team has responsively tailored our business development strategies to enhance our adaptability and build new strengths within the new competitive setting of businesses that emerged under the pandemic.

Thanks to the robust commitment of our team in delivering the strategies, along with our diversified portfolio of offerings and geographic markets, we managed to sustain a modest overall growth for our branded healthcare business in spite of the overwhelming market challenges.

### **Solid Performance in Branded Medicines**

We have been adopting a multi-channel marketing approach for our branded medicine products to target our consumers effectively. In this regard, our household brand Ho Chai Kung, as a key revenue contributor among our branded medicines, has performed resiliently despite the severely dampened retail market.

Our AIM Atropine 0.01% Eye Drops is the first commercially available atropine with clinical research support in Hong Kong. It has become a well-recognised brand in myopia control for young-aged children among eye care professionals and the public through its collaborative education program with schools and sales penetration efforts. Backed by the solid market demand, AIM Atropine 0.01% Eye Drops has delivered notable sales growth despite hampered by closure measures of clinics and hospitals during the spikes of the COVID-19 outbreak. With its market leadership position, AIM Atropine Eye Drops is well-positioned to cater to the growth potential across targeted markets in Asia and Greater China where we have the exclusive marketing right.

## **Exploiting Growth Opportunities for Proprietary Chinese Medicines**

Traditional Chinese medicine is gaining traction as an effective complement to modern western medication for its holistic healing benefits, especially on common illnesses usually associated with a sedentary lifestyle, stress, and unhealthy eating habits nowadays.

Apart from the household proprietary Chinese medicine brands we hold, such as Po Chai Pills, Shiling Oil, Tong Tai Chung Woodlok Oil and Flying Eagle Woodlok Oil, we have enhanced our portfolio with the addition of the concentrated Chinese medicine granules (CCMG) business to capture its rising demand. Deemed as “the revolution in dosage form of Chinese medicines”, CCMG has gained acceptance by its convenience in use since standardised concentrated Chinese medicine granules possess the same degree of curative efficacy, taste, aroma, and flavor as in traditionally-prepared medicinal decoction.

Through our CCMG business, we have also gained access to an extensive network of Chinese medicine practitioners in Hong Kong for unleashing its distribution potential and capitalising on its business opportunities on a synergistic base.

Moreover, with the increasing support from the policy makers for traditional Chinese medicine products and their entry into the Greater Bay Area, we expect great market opportunities will be opened up for traditional Chinese medical practices and products both in Hong Kong and Greater Bay Area.

## **Tapping Evolving Demands in Health and Wellness**

Our health and wellness products comprise supplements, medical consumables, diagnostic devices, and other healthcare products.

The pandemic has brought about a fundamental change in the demand and purchase behavior for healthcare products. Consumers have placed heightened concern on daily personal hygiene and infection prevention, giving rise to a surge in demand for infection control products and immunity support supplements. Also, retail lockdown and social distancing measures have driven shopping from offline to online.

In response to the change, we have actively updated our health and wellness product mix to cater to the evolving demands, such as the focus on diagnostic test kits and services for early detection of health conditions or common diseases and functional supplements for specific health-boosting needs.

In the online sales arena, we have been deploying significant resources for developing our cross-border e-commerce capabilities to tap the massive online consumption in China for overseas healthcare products. We have successfully opened our own JBM Tmall Flagship Store (健倍苗苗大賣場旗艦店) on Tmall Global (天貓國際) and JD-HK Open Platform (京東國際開放平台店舖) which are directly supported by our own e-commerce team in Shenzhen.

## **Forward Momentum in Business Development**

We are making good headway for our business development. On portfolio enhancement, we will be introducing chronic patient care products to our PRC cross-border e-commerce platform to capture the niche market where competition is sparse. We will also strengthen the pipeline with more home diagnostic products to be launched on the platform, such as the *Helicobacter Pylori* bacteria test for stomach ulcers and home test for prostate cancer.

On the collaboration front, we have set up strategic joint ventures with reputable partners. They include Kin Fung Weisen-U Company Limited, Tycoon Group, and a renowned PRC state-owned conglomerate, for leveraging our complementing expertise, portfolio, and distribution networks to drive portfolio enhancement and sales penetration in the selected markets in Asia. Also, expanded cooperations with our third-party brand manufacturing partners in Taiwan and Korea in mutual leveraging of distribution networks are being explored.

## **Future Prospects**

The driving force behind our developments will continue with the commitment of our team to executing our multifaceted growth strategies of which we have outlined in our Business Review.

In the long term, consumers' rising health consciousness is expected to lead to increased healthcare expenditure, particularly on OTC drugs and wellness products such as nutritional supplements. Proprietary Chinese medicines and CCMG products will continue to gain greater popularity. The pandemic has also shifted purchasing behavior increasingly from offline to online, whilst the fast-growing PRC cross-border e-commerce platform is expected to lead to notable growth in demand for healthcare products in China.

Ahead into 2021, we will continue to strengthen our commercial capabilities both offline and online, enrich our portfolio targeting unmet healthcare needs, expand our core market coverage in selected countries in Asia, and fortify our collaboration with strategic partners – to strengthen our position as a key branded healthcare player in the region.

**WONG Yat Wai, Patrick**  
*Chief Executive Officer*  
**JBM (Healthcare) Limited**

Hong Kong, 29 June 2021

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The impact of COVID-19 on Hong Kong and its neighboring economies has been far-reaching, deepening recession at an unprecedented pace since its outbreak at the beginning of 2020 with tourism and consumption-related sectors particularly hard hit. Retail sales of Hong Kong plummeted by a record 24.3% year-on-year for 2020 as the pandemic dampened consumer sentiment and cross-border restrictions kept tourists away. Despite a rebound Gross Domestic Product (GDP) at 7.9% in the first quarter of 2021 led by strong exports, the economic recovery of Hong Kong was uneven with consumer consumption grew only by 1.6% year-on-year in the first quarter, as suppressed by the fourth wave of the local COVID-19 outbreak. In this regard, a meaningful and substantive revival of the local economy appears to be unready at the moment, which will be heavily dependent on the ability and pace for Hong Kong to reach herd immunity through vaccination.

Amid the severe impact on retail consumption, the Group's branded healthcare business, which comprises branded medicines, proprietary Chinese medicines and health and wellness products, posted a total revenue of HK\$397.2 million during the Reporting Period, representing a growth of 4.1% over the previous period. Gross profit also increased by 4.3%, totaling HK\$198.4 million, whilst net profit attributable to equity shareholders amounting to HK\$22.6 million, reduced by about 44.9% mainly due to the one-off spin-off listing expenses which amounted to over HK\$30 million. If discounted this one-off listing expenditure, the net earnings should have posted a growth of about 13.3% for the Reporting Period versus the preceding year on a like-for-like basis.

#### **Broad Branded Healthcare Portfolio with Resilient Performance**

As a leading branded healthcare operator carrying both OTC proprietary medicines and OTC proprietary Chinese medicines in Hong Kong, we manage a portfolio of well-established own brands and third-party brands. Among the host of over 190 brands, we carry a total of 20 principal brands, including 11 third-party brands and 9 own brands, which consist of heritage household brands such as Po Chai Pills, Ho Chai Kung Tji Thung San and Shiling Oil, alongside notable overseas consumer healthcare brands, including Contractubex of Germany, Smartfish of Norway, Rowatanal Cream of Ireland, Oncotype DX® of the United States, and AIM Atropine Eye Drops of Taiwan.

The resilient performance of the Group's branded healthcare business rests upon its broad and yet targeted product offerings from notable brands in the segments of branded medicines, proprietary Chinese medicines and health and wellness products including health supplements, personal care products and diagnostic kits, which is buttressed by our proven brand management capability and extensive sales and distribution network in Hong Kong with footholds spanning from China, Macau, Taiwan to select countries in Southeast Asia, Europe, North America and the Caribbean Islands.

### ***Branded Medicines***

In respect of the branded medicines segment, AIM Atropine Eye Drops delivered a moderate growth of 9.7% despite the disruption by the pandemic on the consultation visits of children to hospitals and ophthalmologists.

As the exclusive distributor of AIM Atropine Eye Drops in the regional markets of Hong Kong, Macau, Singapore and the Guangdong Province of China, the Group vied for brand leadership by garnering continuous support for children in vision protection and myopia control. We had collaborated with the social enterprise, Hong Kong Health Care Alliance, and a popular optical chain in sponsoring a childcare program named “AI Childhood Myopia Prediction & Examination Program” which applied big data and artificial intelligence technology to help predict myopia progression for high-risk children and provided them with ophthalmic examinations. With encouraging results from the program, we plan to introduce similar service programs into schools to provide vision care and protection for more children.

We also collaborated with the Department of Ophthalmology and Visual Sciences of The Chinese University of Hong Kong in clinical research on “Low-Concentration Atropine for Myopia Prevention Study (LAMP2)” with approved funding from The Innovation and Technology Fund (ITF). One of the primary objectives of this study was to change the clinical paradigm of treatment for myopia progression and prevention.

Driven by our brand building efforts, vision care education program, strong sales penetration and ophthalmologists’ recommendations, AIM Atropine Eye Drops have taken up a leading position in the market.

Despite the plummeted retail market due to the pandemic, Ho Chai Kung, one of our top selling household brands well-recognised in the analgesics OTC category, also demonstrated considerable resilience with a soft decline in sales revenue by 4.2% during the Reporting Period.

### ***Proprietary Chinese Medicines***

Sales revenue of the proprietary Chinese medicines segment overall delivered a notable growth of 14.6% to HK\$210.9 million for the year ended 31 March 2021, with the consolidation of sales revenue of CCMG products under Orizen Group since our acquisition of a controlling stake in August 2019.

As we sell the majority of our proprietary Chinese medicine branded products through retail channels, such as major modern trade chain stores, registered pharmacies and drug stores, the COVID-19 outbreak has negatively affected sales because of the deep plunge in retail spending by local consumers and cliff-drop of the number of visitors in Hong Kong since 2020.

However, Po Chai Pills, one of our top selling heritage brands and leader in the gastro-intestinal proprietary Chinese medicine category, managed a soft decline of 3.8% in sales revenue during the Reporting Period. Flying Eagle Woodlok Oil, on the other hand, posted 16.8% growth with the strengthened sales penetration covering more than 30,000 drugstore outlets in China under a newly appointed distributor.

The popularity and consumer acceptance of proprietary Chinese medicines have greatly developed over the years, primarily driven by improved health consciousness and favourable government policies. Furthermore, the CCMG market is projected to undergo fast growth in Hong Kong as a result of increasing customer acceptance, convenience of use, and government initiatives to promote the use of CCMG products.

To promote the inheritance and development of traditional Chinese medicines, national policies under the framework documents “The Opinions of the CPC Central Committee and the State Council on Promoting the Preservation, Innovation and Development of Traditional Chinese Medicine 《中共中央國務院關於促進中醫藥傳承創新發展的意見》” and “Construction Plan for Chinese Medicine Highlands in the Guangdong-Hong Kong-Macao Greater Bay Area (2020-2025) 《粵港澳大灣區中醫藥高地建設方案 (2020-2025年)》” have been released to strengthen collaboration in the Greater Bay Area to develop Chinese medicine practice and proprietary Chinese medicines. With the increase in research and development support and facilitation of the entry of traditional Chinese medicine products into the Greater Bay Area, we expect great market opportunities will be opened up for traditional Chinese medical practices and products in Hong Kong.

### ***Health and Wellness Products***

Our health and wellness products segment comprises supplements, personal care products, medical consumables and diagnostic tools for the general health and wellness of consumers.

Sales revenue generated from our health and wellness products registered a moderate decline of 6.3% during the Reporting Period under the impact of the COVID-19 outbreak.

However, revenue from sales of personal hygiene and infection control products within the segment leaped significantly in response to the surge in demand driven by the COVID-19 outbreak.

The popularity and share of patients of Oncotype DX® Breast Cancer Recurrence Score Test, a diagnostic tool for personalised breast cancer treatment by Exact Sciences Inc. recognised by the National Comprehensive Cancer Network® (NCCN) clinical guidelines to predict adjuvant chemotherapy benefit, continued to grow amongst early stage breast cancer patients. This was bolstered by our public education program and the patient support financial assistance project initiated by the Group in collaboration with the Hong Kong Breast Cancer Foundation.



In spite of the enhanced patient demand, sales of Oncotype DX® Breast Cancer Recurrence Score Test was restrained due to the postponed surgery for patients in most hospitals of Hong Kong under the COVID-19 outbreak, resulting in a 7.4% decrease in revenue during the Reporting Period.

Furthermore, as part of our strategy to further enhance our health and wellness product offerings, we launched the Dr. Freeman® product series, our own brand health and wellness product line, in 2020 in response to the growing market demand for infection control and personal hygiene products.

### **Continued Enhancement of Competitive Market Position and Platform**

Operating a vertically integrated business encompassing brand management and marketing, sourcing and representation of third-party brand products, development and manufacturing of own brand products, and sales and distribution, we have established our eminent market position as a branded healthcare operator with a proven track record.

Our ability to continuously introduce and commercialise well-established branded healthcare products and manage the brands effectively is key to our success. By deploying a dual-engine approach, we drive our business developments and growth via organic business growth through the sourcing of quality third-party brand products, as well as strategic acquisitions of and investments in synergetic brands.

Through adopting a hybrid of sales and distribution model strategically tailored for different products and geographic markets, we have established an extensive sales and distribution network in Hong Kong, with a geographical reach covering China, Macau, Taiwan and select countries in Southeast Asia, Europe, North America and the Caribbean Islands.

Primed as a unique field player with drug expertise and ethical heritage that prioritises product efficacy and quality to meet consumers' healthcare needs, we have been effectively leveraging on the reputation and market standing of our parent company, Jacobson Pharma Corporation Limited, for building strategic collaborations with reputable business partners. Also, our core management team comprises a group of technically seasoned industry veterans with a strong track record and proven execution capabilities. Their technical backgrounds are crucial to the success of our knowledge-driven sourcing methodology in identifying attractive products and acquisition opportunities.

For years, we have been cultivating the regional markets and established solid local distribution networks and collaborative relationships with select partners and product originators, with the commitment to developing a sustainable regional platform in Asia for branded healthcare products.

## **Strategic Focuses and Business Developments**

### ***Expand product offerings and deepen product penetration in China through cross-border e-commerce initiatives***

With an increasingly structured and formalised cross-border e-commerce channel supported by favourable government policy development, the PRC cross-border e-commerce market has grown rapidly into one of the country's major sales channels. The gross merchandise volume of the pharmaceutical products e-commerce market in China reached HK\$50.5 billion in 2019, representing a compound annual growth rate (CAGR) of 61.1% from 2015, and is forecasted to reach HK\$452.2 billion by 2024, according to the market research report prepared by Frost & Sullivan.

Therefore, the ability to gain direct borderless access to sell our select branded healthcare products without additional registration requirements in China will allow us to increase our product penetration to end consumers across all provinces, cities and counties in China and shorten our product launch time.

To tap into the potential of the fast-growing PRC cross-border e-commerce, we have established our self-operated flagship online stores on Tmall Global Marketplace (天貓賣場型旗艦店), and JD-HK Open Platform (京東國際開放平台店舖) with an expanding offering of more than 40 branded quality healthcare products for Chinese consumers. We have set up our own e-commerce team in Shenzhen providing direct operational support for our online flagship stores.

We have also set up our own operation upstream and have been enlisted as an official supplier to Tmall for its own selling platform. Our B2B (business-to-business) operation also covered other large scale cross-border e-commerce platforms in exploiting the sales potential.

### ***Further expand our portfolio through organic growth and mergers and acquisitions***

Our ability to continuously identify products that satisfy changing consumer preferences and expand the variety of quality products we offer is key to maintaining our competitive position and ensuring our future growth and success.

We aim to seek organic growth for our product portfolio through expanding our collaborations with strategic partners, as well as existing third-party brand owners both in terms of product and geographical representation, and sourcing from new third-party brand owners with synergetic products.

For instance, we have set up a joint venture with Kin Fung Weisen-U Company Limited to expand the sales coverage of Weisen-U to ASEAN markets and develop extended product lines under the Weisen-U brand. Near term plans include the launch of Weisen-U in Singapore, along with the launch of the new line extension product Weisen-U Digestive Enzymes via our cross-border e-commerce sales platform in China, followed by markets in Singapore and other ASEAN countries.



Moreover, the Group has entered into collaboration agreements with Tycoon Group to leverage the complementing expertise and resources of the Group and Tycoon Group in the market of proprietary Chinese medicines, Chinese healthcare and supplement products. Under the strategic co-operations, the Group will develop and manufacture own brand products to cater for market trends and consumer needs, with a newly formed joint venture company between the parties to provide distribution, strategic marketing and sales support for the own-brand products. The own-brand products will be launched in the third quarter of 2021.

In addition, we have added new items, namely Skin Tag, Warts 2-in-1 and Protection Spray, apart from Fungal Nails, to the Excilor portfolio for our exclusive distributorship in the foot care markets of China. We have also been granted the right to market Excilor Skin Tag in Taiwan.

We have also signed an agreement with Atos Medical AB (“**Atos Medical**”) of Sweden for the sales and distribution of its laryngectomy neck stoma care medical consumable product via our Tmall cross-border e-commerce platform to direct patients in China. Atos Medical is a world-leading brand of laryngectomy care that captures a niche market in China without considerable competitors. Likewise, we will continue to include more medical consumables to enhance our portfolio of chronic patient care products for our cross-border e-commerce platform in China. At the same time, we have plans to launch more home diagnostic products on the platform, such as the Helicobacter Pylori bacteria test for stomach ulcer in 2021 and prostate-specific antigen (PSA) test for prostate cancer in 2022.

Referring to our proprietary Chinese medicines portfolio, we have enriched our scope to include third-party brand, Angong Niuhuang Wan (安宮牛黃丸) and Ganoderma Spores (靈芝孢子) to capture the high demand of the Chinese market.

***Develop a branded healthcare product sourcing and distribution platform in Asia through the integration of our regional resources and foothold***

Our long-term goal is to strengthen our geographical reach in selected markets in Asia and Greater China and capture its growing demand for health and wellness products.

We aim to extend our existing collaboration with third-party brand owners in terms of geographical representation to certain strategic locations. Ultimately, we will seek to leverage our track record in those strategic locations to further source and introduce new third-party brand products and eventually develop into a sustainable branded healthcare product sourcing and distribution platform in Asia.

For China, its general health and wellness market is one of the largest constituents of its national economy. Demand for health and wellness products is expected to continue to increase alongside an aging population and a burgeoning middle-class. In addition to increasing our online presence through our cross-border e-commerce initiatives, we have established a joint venture with a renowned PRC state-owned conglomerate (“**JV Partner**”) to leverage the sales and distribution network of this JV Partner to increase our product penetration and explore other collaborative opportunities in China.

In Taiwan, we aim to expand our existing collaborative relationship with Taiwan Biotech Company Limited, a Taiwanese pharmaceutical company established in 1945 with a sales and distribution network covering local medical treatment outlets, pharmacies and convenience stores. They are also the holding company for our third-party brand AIM Atropine Eye Drops. The enhanced cooperation between the two companies will not be limited to leveraging their strong sales and distribution network to distribute our select products and increase our brand exposure, but also to expand the sales coverage of AIM Atropine Eye Drops to other countries.

In South Korea, our joint venture partner is a seasoned healthcare company with vertically integrated operations encompassing research and development capabilities, GMP-accredited manufacturing facilities and sales & distribution. We seek to enter into mutually beneficial arrangements to cross-sell comprehensive products from each other's portfolios. We believe this will enable us to build on their network and establish our product presence in the South Korean health and wellness market, and provide us with valuable resources to identify and secure new products that are synergistic with our existing portfolio and our strategic directions.

### ***Unleash the sales and distribution potential of our Chinese medicine practitioner network***

With the incorporation of the CCMG business to our proprietary Chinese medicines segment, we have an extensive network of Chinese medicine practitioners in Hong Kong. According to the market research report prepared by Frost & Sullivan, our own CCMG brand has been a leading brand among Chinese medicine practitioners in Hong Kong in 2019, selling our CCMG products to more than 3,000 Chinese medicine practitioners, which represented over 40% of the total number of active Chinese medicine practitioners in Hong Kong.

We believe our direct access and frequent interaction with Chinese medicine practitioners in Hong Kong enables us to gain specific insights and understanding of their practices, preferences and operational environment, utilising such insights to capture new business opportunities and capitalise on this distribution channel. In particular, we plan to identify suitable branded healthcare product candidates, including select Chinese medicine-based health supplements and other health and wellness products, for the clientele of Chinese medicine practitioners and explore mutually beneficial collaborative opportunities with these practitioners to further unleash the distribution potential of this unique network.

### **Capitalising on the Trends of Market**

The market of branded healthcare products in Hong Kong has increased gradually in recent years as consumers have become more health conscious, along with increased resident income and improved living standard, and ageing population, as well as higher outbound demand driven by the economic growth in China and other regions, according to the market research report prepared by Frost & Sullivan.

Amidst the projected prevalence of branded healthcare products, branded medicines may be used for intermediate self-care treatment, health and wellness products such as home diagnostic kits are expected to negate the need for clinical intervention in a large number of circumstances and proprietary Chinese medicines are no longer limited to disease treatment but also used for daily wellness and disease prophylaxis. The increase in health awareness has therefore widened the consumer base of branded healthcare products to include people of all ages. To cater for the needs of consumers of different ages and differentiate from competitors, product customisation is expected with respect to dosage form, packaging and flavour.

Consumer purchasing behaviour has also increasingly shifted away from offline to online. An increasing number of cross-border e-commerce pilot zones are expected to be set up across China to cater for the strong demand in China for overseas healthcare products, which in turn will lead to a growth in the import market of healthcare products.

As a result, we have been actively deploying efforts and resources to develop our e-commerce channels, including the distribution of products through our own online platform, GoSmart and selected third-party online platforms such as Big Big Shop, MAMA730 and HKTVmall, and the implementation of our cross-border e-commerce initiatives.

Also, an increasing number of dispensaries and chain registered pharmacies along with online merchants and social media have increased the overseas exposure and popularity of Hong Kong branded healthcare products on their channels. Hence, a growing portion of our revenue is expected to generate from outbound sales in the longer run. It is one of our strategies to grow our business through expansion and further penetration in the Asia region.

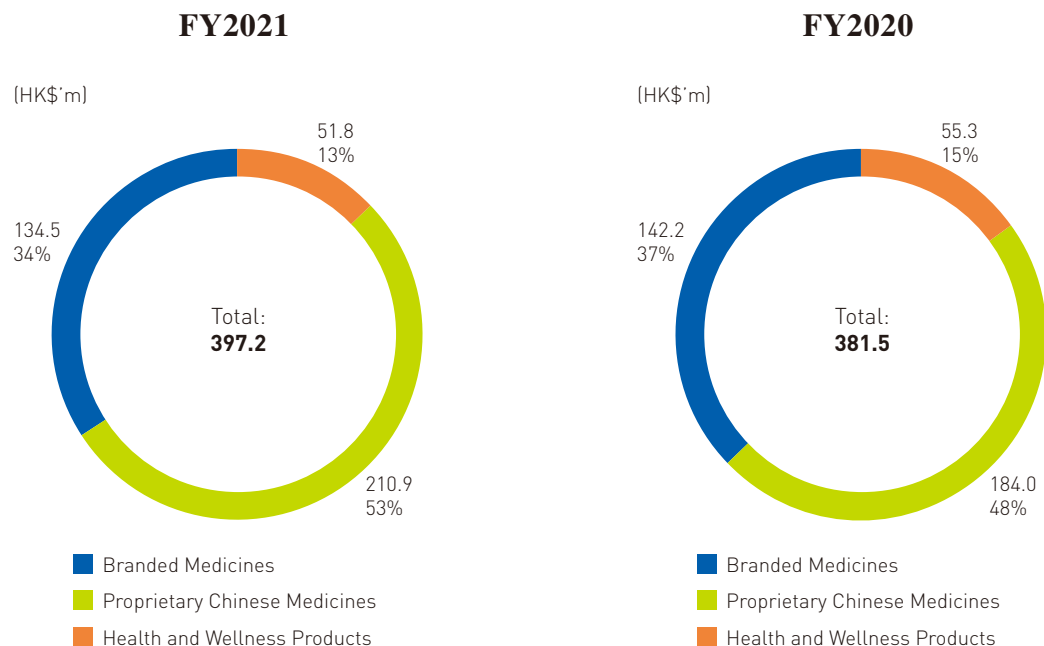
In particular, overseas consumers are projected to be a major consumption source of proprietary Chinese medicines as a result of government policies in Hong Kong and China in favour of cooperation and expansion of international trade of proprietary Chinese medicines. Meanwhile, an increasing number of overseas consumer healthcare products is also expected to be introduced in Greater Bay Area as a result of its improving regulatory environment, robust purchasing power and high education level.

In the long term, according to the market research report prepared by Frost & Sullivan, consumers' rising health consciousness is expected to lead to increased healthcare expenditure, in particular on OTC drugs and wellness products such as nutritional supplements. Meanwhile, consumer acceptance of proprietary Chinese medicines, including CCMG products, may potentially increase as a result of the extensive attention brought to Chinese medicines due to the PRC government's utilisation of certain proprietary Chinese medicines in the treatment of COVID-19. With the ongoing development of attractions in Hong Kong and the campaigns promoted by the Hong Kong Tourism Board, upon recovery of the tourism industry, Hong Kong is well-positioned to remain an attractive tourist destination for the purchase of branded healthcare products due to their high quality and efficacies.

## FINANCIAL REVIEW

### Revenue

#### *Revenue by Operating Segments*



The increase in revenue of HK\$15.7 million or 4.1% compared to FY2020 was due to the increase in revenue of HK\$26.9 million in the proprietary Chinese medicines segment, partly offset by the decrease of HK\$7.7 million in the branded medicines segment and decrease of HK\$3.5 million in the health and wellness products segment. The revenue split of the three segments was at the ratio of 53%, 34% and 13%.

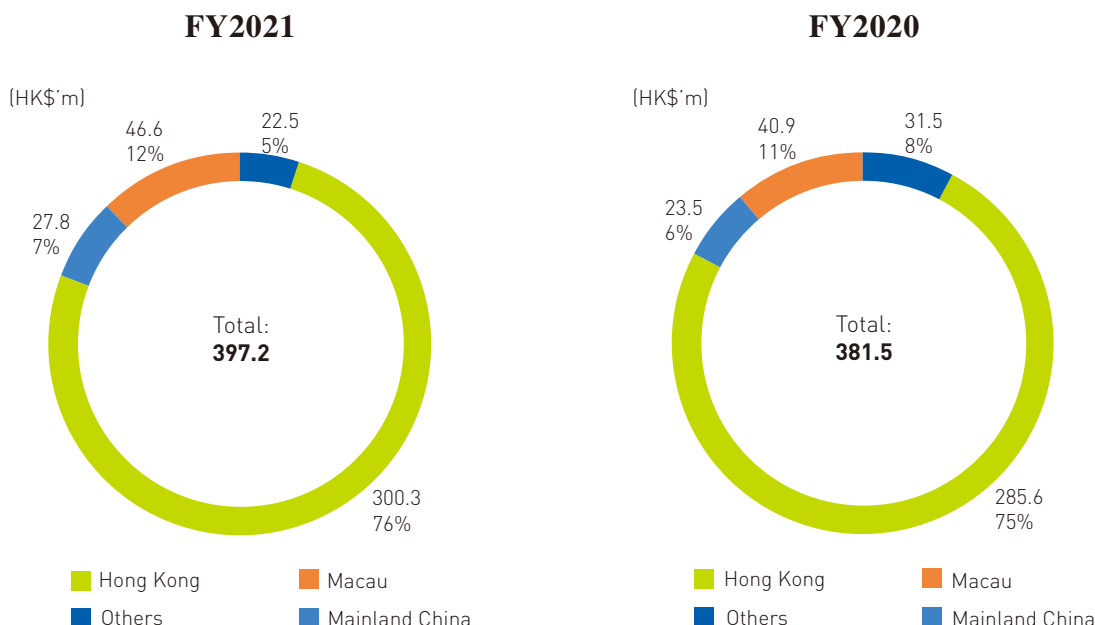
In the proprietary Chinese medicines segment, the increase in revenue mainly resulted from the incremental contribution of Orizen Group, which the Group acquired a controlling stake in August 2019.

Despite the plummeted retail market due to the COVID-19 pandemic, the branded medicines segment and the health and wellness products segment demonstrated considerable resilience with a soft decline in sales revenue by 5.4% and 6.3% respectively during the Reporting Period.

In the branded medicines segment, AIM Atropine Eye Drops delivered steady growth in high single digit despite the disruption by the pandemic on the consultation visits of children to hospitals and ophthalmologists. Ho Chai Kung Tji Thung San, one of the top-selling products of the Group, also demonstrated solid performance, with a soft decline in revenue only during the Reporting Period.

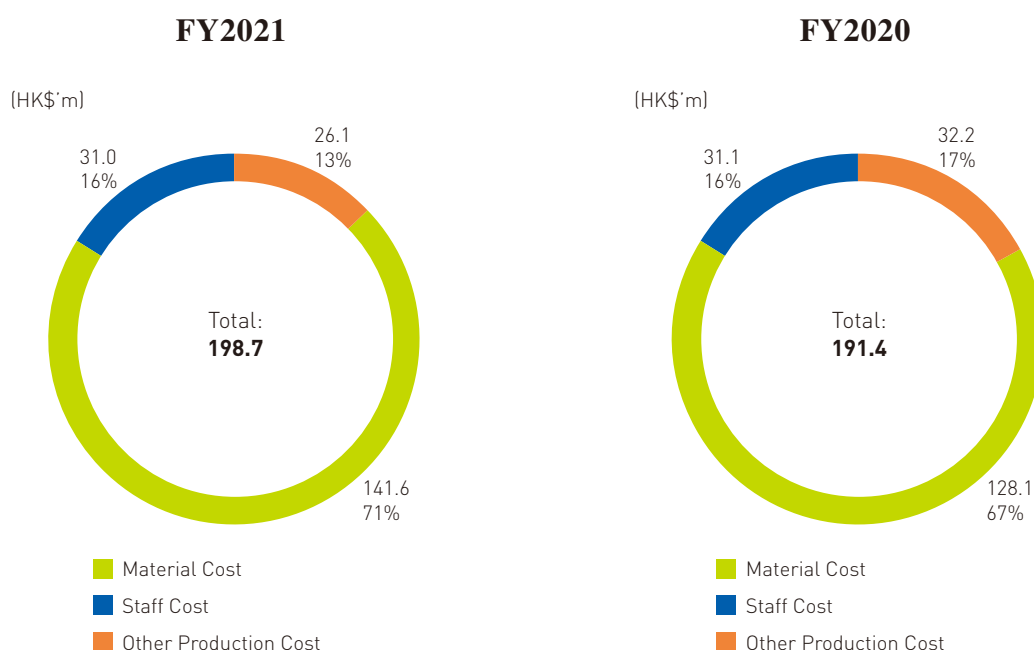
In the health and wellness products segment, the revenue from personal hygiene and infection control products increased significantly due to the surge in demand driven by the COVID-19 outbreak, which largely offset the negative impact on sales revenue caused by the pandemic.

## Revenue by Geographic Location



Hong Kong continued to be the major revenue stream, representing 76% of the total revenue with an increase in revenue of HK\$14.7 million. The increase is mainly due to the incremental contribution of Orizen Group. The revenue in Mainland China increased by HK\$4.3 million, mainly due to the increase in sales of Puji Pills and Flying Eagle Woodlok Oil following the change in distributors during the Reporting Period. The revenue increase in Macau by HK\$5.7 million was mainly contributed by the increase in sales of AIM Atropine Eye Drops. The decrease in revenue from other overseas markets by HK\$9.0 million was mainly due to the decrease in sales in Singapore and Malaysia.

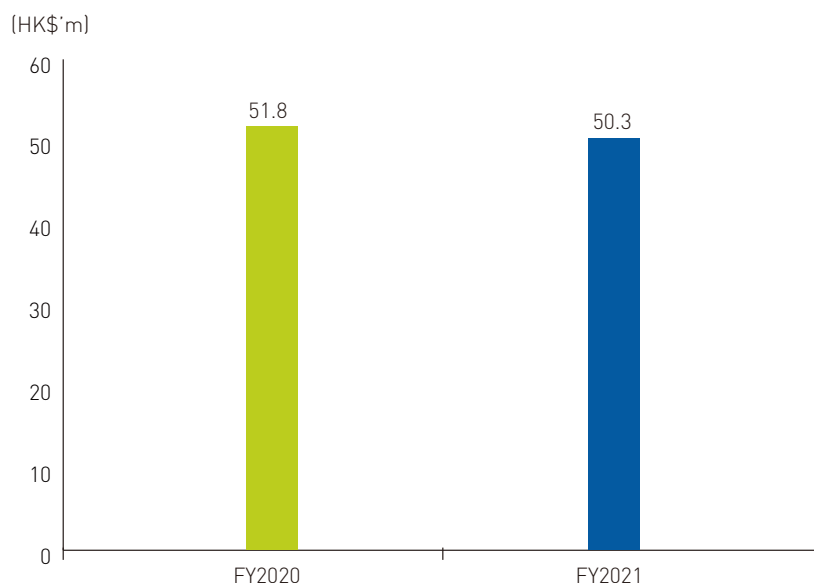
## Cost of Sales



Material cost continued to be the major component which constituted approximately 71% of the total cost of sales. The increase in material cost of HK\$13.5 million or 10.5% was in line with the incremental sales contribution of Orizen Group.

The decrease in staff cost of HK\$0.1 million or 0.3% and other production cost of HK\$6.1 million or 18.9% were mainly attributed to the implementation of optimisation program and cost control measures during the Reporting Period.

### Profit from Operations



The profit from operations dropped by HK\$1.5 million or 2.9% to HK\$50.3 million, which was mainly attributable to the one-off spin-off listing expenses of HK\$32.0 million (FY2020: HK\$7.2 million), that was compensated partially by the Employment Support Scheme subsidy from the Hong Kong Government and increase in gross profit.

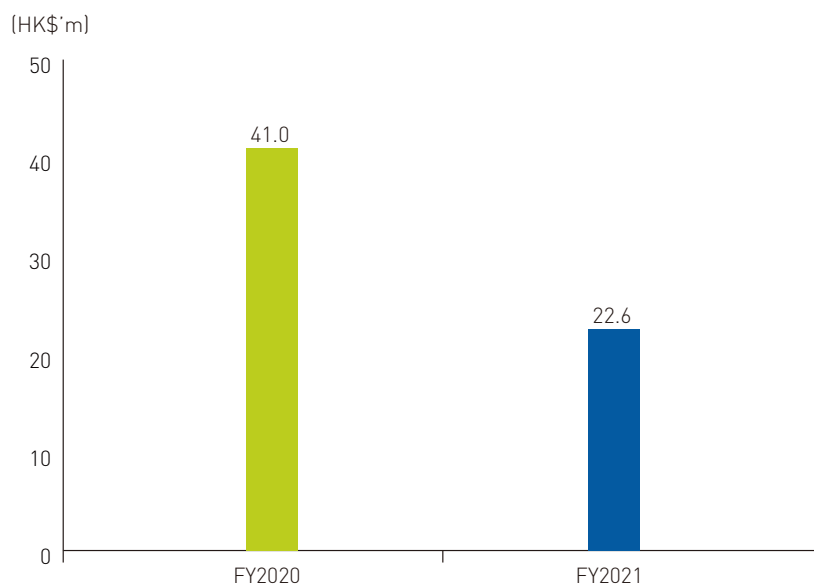
### Finance Costs

The increase in finance costs was mainly attributable to a committed banking facility granted and utilised by the Group in November 2020 and interest expenses for an amount due to the immediate holding company, as part of the reorganisation for the spin-off and separate listing of the Company on the Main Board in February 2021.

### Income Tax

The increase in income tax and effective tax rate was mainly due to the non-deductible spin-off listing expenses and finance costs that are capital in nature during the Reporting Period, partly compensated by the non-taxable Employment Support Scheme subsidy recognised during the Reporting Period.

## Profit Attributable to Equity Shareholders



The decrease in profit attributable to equity shareholders mainly reflected the one-off spin-off listing expenses as well as increase in finance costs and income tax.

## Assets

### *Property, Plant and Equipment*

The increase in property, plant and equipment principally reflected the additions of HK\$35.5 million, offset partially by the depreciation of HK\$24.9 million and disposals of property, plant and equipment with net book value of HK\$0.2 million.

### *Intangible Assets*

The decrease in intangible assets was principally attributable to amortisation of HK\$18.7 million, partly compensated by the additions of HK\$16.4 million mainly arising from the distribution rights of in-licensed health and wellness products.

### *Inventories*

The decrease in inventories by HK\$15.8 million or 24.7% mainly reflected the accelerated inventory movement due to an increase in demand for some of our top-selling products.

### *Cash and Cash Equivalents*

Approximately 90.5% of cash and cash equivalents as at 31 March 2021 were denominated in Hong Kong dollars (as at 31 March 2020: 58.1%), while the remaining balance was denominated in Euros, United States dollars, Renminbi and Singapore dollars.

## Liabilities

### Bank Loans

The carrying amount as at 31 March 2021 was related to a committed banking facility granted to and utilised by the Group since November 2020 (carrying amount as at 31 March 2020: Nil). As at 31 March 2021, the bank loan of the Group was denominated in Hong Kong dollars.

## Use of Proceeds

### Use of IPO Proceeds

Net proceeds of HK\$10,523,000 were raised from the initial public offering of the Company (after the deduction of underwriting fees, commissions and expenses paid by the Company in connection with the initial public offering) (the “**IPO Proceeds**”). There has not been any change to the intended use of the IPO Proceeds or the allocated amount as disclosed in the Prospectus issued by the Company.

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

Use of IPO Proceeds as set out in the Prospectus	Proposed application HK\$'000	As at 31 March 2021		Expected timeline for utilising the remaining IPO proceeds
		Actual utilised amount HK\$'000	Unutilised amount HK\$'000	
Portfolio development and brand management of proprietary Chinese medicines	5,000	741	4,259	On or before 31 March 2022
Payments for obtaining additional distribution rights from third-party brand owners	4,523	–	4,523	On or before 31 March 2022
General working capital	1,000	1,000	–	N/A
Total	10,523	1,741	8,782	

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

## Liquidity, Capital Resources and Capital Structure

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

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



## **Charge on Group Assets**

The carrying value of assets pledged against bank loans was HK\$79.0 million as at 31 March 2021. As at 31 March 2020, HK\$81.6 million assets were pledged against banking facilities shared with certain fellow subsidiaries and an intermediate holding company of the Group. Such banking facilities were terminated in November 2020 and the related pledged assets were released.

## **Net Gearing Ratio**

The net gearing ratio of the Group (bank loans and interest-bearing amount due to the immediate holding company less cash and cash equivalents, divided by total equity multiplied by 100%) decreased from 51.4% as at 31 March 2020 to 14.9% as at 31 March 2021. The decrease in net gearing ratio was attributable to cash generated from operations and proceeds from shares issued under initial public offering (“**IPO**”) in February 2021 and the fund raised through the issuance of new shares to the pre-IPO investors in July 2020.

## **Financial Risk Analysis**

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

## **Contingent Liabilities**

As at 31 March 2021, the Group did not have any significant contingent liabilities.

## **Non-Adjusting Events After the Reporting Period**

On 8 April 2021, the Group and Tycoon Group have entered into a joint venture agreement for the establishment of a company, which is owned as to 50% by the Group and 50% by Tycoon Group which will be jointly controlled by the two groups. Aiming at leveraging the Group’s strong capabilities in product development and manufacturing with Tycoon Group’s expertise of the market, the joint venture company is formed for strategic co-operations in the development and manufacture of own-brand products by the Group to cater for market trends and consumer needs, as well as to provide distribution, strategic marketing and sales support for the own-brand products.

## **Significant Investment Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures**

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 March 2021. The Group had no significant investments held during the Reporting Period.

## PRINCIPAL RISKS AND UNCERTAINTIES

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

- The outbreak of COVID-19 has weakened consumer sentiment and adversely impacted retail spending in Hong Kong as local economic activities and the number of visitors declined as a result of various social distancing measures and travel restrictions implemented from time to time. As we sell the majority of our products through retail channels, such as major modern trade chain stores, registered pharmacies and drug stores, the COVID-19 outbreak has negatively affected the sales of many of our branded healthcare products. Any further prolonged outbreak of COVID-19 may materially and adversely impact on our business and financial performance going forward.
- Our success is attributable to the well-established brands of our products and our ability to manage the brands effectively. We devoted significant resources in brand marketing, promotion and management to enhance their appeal and recognition. However, the marketing and promotional initiatives may not always be successful. Furthermore, our business could be negatively impacted if any of our products suffers substantial harm to its brand reputation due to product recall, defects, product misuse, negative or inaccurate reports, postings on social media etc.
- Our branded healthcare products typically compete in three market segments, namely the branded medicines, health and wellness and proprietary Chinese medicine markets, which are highly competitive and rapidly evolving with frequent introduction of new brands and products and high consumer expectations on quality and value. We face intense competition from existing competitors and new entrants, including multinational companies, as well as domestic manufacturers and distributors of products that have competing market positioning or similar efficacies that can be used as substitutes for our products.
- The nature of our business exposes us to the risk of product liability, personal injury or wrongful death claims that are inherent in the development, manufacture and sales of consumer products. Manufacturers or vendors of defective products could be subject to civil liability for loss or physical injury to any affected person. In Hong Kong, manufacturers of defective products could also be subject to criminal liability and have their business licenses revoked. In the event a lawsuit is brought against us, we may have to incur substantial costs to defend the lawsuit or be held liable for significant damages, and we may be unable to seek full indemnification from our suppliers, third-party manufacturers or third-party brand owners or be fully covered by our insurance for our liability and costs.

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

## **ENVIRONMENTAL POLICIES AND PERFORMANCE**

The Group is primarily engaged in production, sales and distribution of branded healthcare products and proprietary Chinese medicines which does not have any material impact on the environment. The key environmental impacts from the Group's operation are related to electricity, water and paper consumption. The Group is fully aware of the importance of sustainable environmental development, and has implemented a number of measures to encourage environmental protection and energy conservation.

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

## **COMPLIANCE WITH LAWS AND REGULATIONS**

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

## **CORPORATE GOVERNANCE HIGHLIGHTS**

The Board is committed to maintaining high corporate governance standards.

The Board believe that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has applied the code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Company has complied with all the code provisions of the CG Code and adopted most of the best practices set out therein throughout the period from the Listing Date to 31 March 2021.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors. All Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the Reporting Period.

## **AUDIT COMMITTEE**

The Audit Committee currently consists of all three independent non-executive Directors, namely Mr. Chan Kam Chiu, Simon (chairman of the Audit Committee), Mr. Luk Ting Lung, Alan and Mr. Lau Shut Lee, Tony. The primary duties of the Audit Committee shall be to assist the Board in its oversight of the completeness, accuracy and fairness of the financial statements of the Company, of the effectiveness and adequacy of risk management and internal control systems, of the independence of the external auditor and of the performance of the Company's internal audit and compliance function. The Audit Committee, together with the management of the Company, has reviewed the annual results of the Group for the Reporting Period.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities from the Listing Date and up to 31 March 2021.

## **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 March 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

In order to determine the entitlement of shareholders of the Company to attend and vote at the 2021 AGM, the register of members of the Company will be closed from 16 September 2021 (Thursday) to 23 September 2021 (Thursday), both days inclusive, during which period no transfer of shares of the Company will be registered. All transfer documents, accompanied by the relevant share certificates, shall be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 15 September 2021 (Wednesday) for registration.

## **PUBLICATION OF THIS 2021 ANNUAL RESULTS ANNOUNCEMENT AND THE 2021 ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and of the Company ([www.jbmhealthcare.com.hk](http://www.jbmhealthcare.com.hk)). The 2021 Annual Report containing all the information required by the Listing Rules will be published on the respective websites of the Stock Exchange and the Company and will be dispatched to the shareholders of the Company in due course.

By order of the Board  
**JBM (Healthcare) Limited**  
**Wong Yat Wai, Patrick**  
*Executive Director and Chief Executive Officer*

Hong Kong, 29 June 2021

*As at the date of this announcement, the Board comprises Mr. Sum Kwong Yip, Derek as the Chairman and non-executive Director, Mr. Wong Yat Wai, Patrick (also as Chief Executive Officer) and Dr. Chu Ka Wing as executive Directors, Mr. Yim Chun Leung and Mr. Yeung Kwok Chun, Harry as non-executive Directors, and Mr. Chan Kam Chiu, Simon, Mr. Luk Ting Lung, Alan and Mr. Lau Shut Lee, Tony as independent non-executive Directors.*

## GLOSSARY

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

“2021 AGM”	the forthcoming 2021 annual general meeting of the Company
“2021 Annual Report”	the annual report of the Company for the year ended 31 March 2021
“AIM Atropine Eye Drops”	refers to AIM Atropine 0.01% Eye Drops and AIM Atropine 0.125% Eye Drops procured from Aseptic Innovative Medicine Co. Ltd., an anticholinergic agent as a sterile topical preservative-free ophthalmic solution that is commonly used in the treatment of myopia, mydriasis and cycloplegia
“associate(s), chief executive(s), controlling shareholder(s)”	each has the meaning as described in the Listing Rules
“Audit Committee”	audit committee of the Company
“Board”	the board of directors of the Company
“BVI”	the British Virgin Islands
“CCMG”	concentrated Chinese medicine granule, traditional Chinese herbal medicines processed through modern extraction and concentration technologies to arrive at a granular form for easy dispensary and administration
“China”, “Mainland China”, “PRC” or “the PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan
“Company”, “our Company” or “the Company”	JBM (Healthcare) Limited, an exempted company incorporated in the Cayman Islands with limited liability on 7 January 2020
“connected person”	has the meaning as ascribed to it under the Listing Rules
“COVID-19”	Coronavirus disease 2019
“Director(s)”	the director(s) of the Company
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a market research and consulting company and an independent third party
“FY2020”	the year ended 31 March 2020

“FY2021” or “Reporting Period”	the year ended 31 March 2021
“GMP”	Good Manufacturing Practice, a set of detailed guidelines on practices governing the production of pharmaceutical products designed to protect consumers by minimising production errors and the possibility of contamination
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jacobson Pharma Group”	Jacobson Pharma Corporation Limited and its subsidiaries, including our Group
“JBM”, “Group”, “our Group”, “the Group”, “we”, “us” or “our”	the Company and its subsidiaries and, in respect of the period before we became the holding company of our present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
“Listing”	the listing of our Shares on the Main Board
“Listing Date”	5 February 2021, on which our Shares are listed and from which dealings in our Shares are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	Main Board of the Stock Exchange
“Orizen”	Orizen Capital Limited, a company with limited liability incorporated under the laws of the BVI on 6 June 2018 which is an indirect non-wholly owned subsidiary of the Company
“Orizen Group”	Orizen and PCCH
“over-the-counter” or “OTC”	a term used to describe medicines that can be sold directly to a consumer without a prescription from a healthcare professional, as compared to prescription drugs, which are sold only to consumers possessing a valid prescription
“PCCH”	Hong Kong Premier Concentrated Chinese Herbs Limited, a company with limited liability incorporated under the laws of Hong Kong on 26 March 2003, which is a subsidiary of our Company

“Prospectus”	the prospectus issued by the Company dated 26 January 2021
“Share(s)”	ordinary share(s) in the capital of the Company with nominal value of HK\$0.01 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tycoon”	Tycoon Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability on 14 June 2017, the issued shares of which are listed on the Main Board on 15 April 2020 (stock code: 3390)
“Tycoon Group”	Tycoon and its subsidiaries