健倍苗苗
JBM (Healthcare) Limited

JBM (HEALTHCARE) LIMITED
健倍苗苗(保健)有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2161

PUBLIC OFFER

Sole Sponsor and Sole Bookrunner

中國銀河國際
CHINA GALAXY INTERNATIONAL

If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

JBM (HEALTHCARE) LIMITED
健倍苗苗(保健)有限公司

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PUBLIC OFFER

Number of Offer Shares	**:**	**44,686,000 Shares**
Offer Price	**:**	**HK$1.20 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal Value	**:**	**HK$0.01 per Share**
Stock Code	**:**	**2161**

Sole Sponsor, Sole Bookrunner and Joint Lead Manager

中國銀河國際
CHINA GALAXY INTERNATIONAL

Joint Lead Managers

(in alphabetical order)

信達國際 CINDA INTERNATIONAL

EDDID 艾德證券期貨

FOSUN HANI 復星恒利

香江證券 HEUNGKONG SECURITIES

邁時資本 MAXA CAPITAL

西證國際 SOUTHWEST SECURITIES

TUS Corporate Finance Limited

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Sole Bookrunner (for itself and on behalf of the Underwriters) may, where considered appropriate and with our consent, reduce the number of Offer Shares and/or the Offer Price below that is stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of the Company (**www.jbmhealthcare.com.hk**) notices of the reduction. For further details, see the sections headed "Structure of the Public Offer" and "How to Apply for the Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set forth in this prospectus, including the risk factors set forth in the section headed "Risk Factors." The obligations of the Underwriters under the Public Offer Underwriting Agreement are subject to termination by the Sole Bookrunner (for itself and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Shares commences on the Stock Exchange. For further details of such grounds, see the section headed "Underwriting — Underwriting Arrangements and Expenses — Grounds for Termination."

The Offer Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state in the United States and may not be offered, sold, pledged or transferred within the United States, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S.

January 26, 2021

The Company will issue an announcement in Hong Kong to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.jbmhealthcare.com.hk** if there is any change in the following expected timetable of the Public Offer and the Jacobson Pharma Distribution.

Jacobson Pharma Distribution

Last day of dealings in Jacobson Pharma Shares on a cum entitlement basis . . . . Tuesday, January 26, 2021

First day of dealings in Jacobson Pharma Shares on an ex entitlement basis . . . . Wednesday, January 27, 2021

Latest time for lodging transfers of Jacobson Pharma Shares cum entitlement to our Shares pursuant to the Jacobson Pharma Distribution at . . . . 4:30 p.m. on Thursday, January 28, 2021

Register of members of Jacobson Pharma in Hong Kong closes . . . . Friday, January 29, 2021

Record Date . . . . Friday, January 29, 2021

Register of members of Jacobson Pharma in Hong Kong re-opens . . . . Monday, February 1, 2021

Public Offer

Latest time for completing electronic applications under the **HK eIPO White Form** service through one of the below ways *(Note 2)*:

(1) the **IPO App**, which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**

(2) the designated website **www.hkeipo.hk** 11:30 a.m. on Friday, January 29, 2021

Application lists of the Public Offer open *(Note 3)* . . . . 11:45 a.m. on Friday, January 29, 2021

Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC *(Note 4)* . . . . 12:00 noon on Friday, January 29, 2021

Latest time for completing payment of the **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . 12:00 noon on Friday, January 29, 2021

Application lists of the Public Offer close *(Note 3)* . . . . 12:00 noon on Friday, January 29, 2021

Announcement of the level of applications in the Public Offer, and the basis of allocation of the Offer Shares to be published on the website of the Stock Exchange at **www.hkexnews.hk** and the website of the Company at **www.jbmhealthcare.com.hk** on or before *(Notes 5 and 13)* . . . . Thursday, February 4, 2021

Results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for the Offer Shares — D. Publication of Results" in this prospectus from *(Note 13)* . . . . Thursday, February 4, 2021

Results of allocations in the Public Offer will be available at the "IPO Results" function in the **IPO App** or at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID" function from *(Note 13)* . . . . Thursday, February 4, 2021

Despatch/collection of Share certificates or deposit of Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer and to Qualifying Jacobson Pharma Shareholders who are entitled to receive Shares under the Jacobson Pharma Distribution on or before *(Notes 7 to 11 and 13)* . . . . Thursday, February 4, 2021

Despatch of **HK eIPO White Form** e-Auto Refund payment instructions on or before *(Notes 12 and 13)* . . . Thursday, February 4, 2021

Despatch/collection of refund checks in respect of wholly or partially unsuccessful applications pursuant to the Public Offer on or before *(Notes 6 to 9 and 13)* . . . . Thursday, February 4, 2021

Dealings in Shares on the Main Board expected to commence at *(Note 13)* . . . . 9:00 a.m. on Friday, February 5, 2021

Despatch of checks to Non-Qualifying Jacobson Pharma Shareholders of the net proceeds of the sale of the Shares which they would otherwise receive pursuant to the Jacobson Pharma Distribution on or before . . . . Monday, March 8, 2021

Notes:

(1) All times and dates refer to Hong Kong local time and date. Details of the structure of the Public Offer, including its conditions, are set out in the section headed "Structure of the Public Offer."

(2) You will not be permitted to submit your application through the **IPO App** or the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for lodging applications. If you have already submitted your application and obtained an application reference number from the **IPO App** or the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day of lodging applications, when the application lists close.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight (8) or above and/or Extreme Conditions is/are in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, January 29, 2021, the application lists will not open and close on that day. Further information is set out in the section headed "How to Apply for the Offer Shares — C. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists." If the application lists do not open and close on Friday, January 29, 2021, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

(4) Applicants who apply for Public Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed "How to Apply for the Offer Shares — A. Application for the Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS."

(5) None of the websites or any of the information contained in the websites form part of this prospectus.

(6) Refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund check. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delay in encashment of, or may invalidate, the refund check.

(7) Applicants being individuals who have applied with **WHITE** Application Forms for 1,000,000 Offer Shares or more, and have provided all information required by their Application Forms, may collect their refund checks and/or Share certificates (where applicable) in person from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, February 4, 2021. Applicants being individuals who is eligible for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who is eligible for personal collection must attend by their authorized representatives bearing letters of authorization from their corporations stamped with the corporations' chops. Both individuals and authorized representatives must produce, at the time of collection, identification and (where applicable) authorization documents acceptable to the Hong Kong Share Registrar.

(8) Applicants who have applied with **YELLOW** Application Forms for 1,000,000 Offer Shares or more under the Public Offer may collect their refund check(s), where applicable, in person but may not collect their share certificate(s), which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund check(s) for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants specified in note 7 above.

(9) Uncollected Share certificate(s) and refund check(s) will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms. Further details are set out in the section headed "How to Apply for the Offer Shares — G. Despatch/Collection of Share Certificates and Refund Monies."

(10) Share certificates are expected to be despatched to Qualifying Jacobson Pharma Shareholders on Thursday, February 4, 2021. One Share certificate will be issued to each Qualifying Jacobson Pharma Shareholder for the entitlement to the Shares and each Jacobson Pharma Shareholder for the entitlement to the Offer Shares, save for the Share certificates to be issued to HKSCC Nominees, which may be in such denominations as requested by HKSCC Nominees.

(11) Share certificates for the Offer Shares will become valid certificates of title at 8:00 a.m. (Hong Kong time) on Friday, February 5, 2021 provided that (i) the Spin-off and the Listing have become unconditional in all respects; and (ii) the Public Offer Underwriting Agreement has not been terminated in accordance with its terms. If the Spin-off and the Listing do not become unconditional or the Public Offer Underwriting Agreement is terminated in accordance with its terms, the Share Offer will not proceed and the Jacobson Pharma Distribution will not be made. In such case, the Company will make an announcement as soon as practicable thereafter.

(12) e-Auto Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application (if applicable).

(13) In case a typhoon warning signal no.8 or above, a black rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Tuesday, January 26, 2021 to Friday, February 5, 2021, then the day of (i) announcement of results of allocations in the Public Offer; (ii) despatch of Share certificates and refund checks/**HK eIPO White Form** e-Auto Refund payment instructions; and (iii) dealings in the Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

For details of the structure of the Public Offer, including the conditions thereof, see the section headed "Structure of the Public Offer."

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely for the Public Offer and the Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction outside Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from the information contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Sole Bookrunner, the Underwriters, any of our or their respective directors, officers, employees, agents, affiliates or advisors or any other party involved in the Public Offer.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole prospectus including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed "Risk Factors." You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

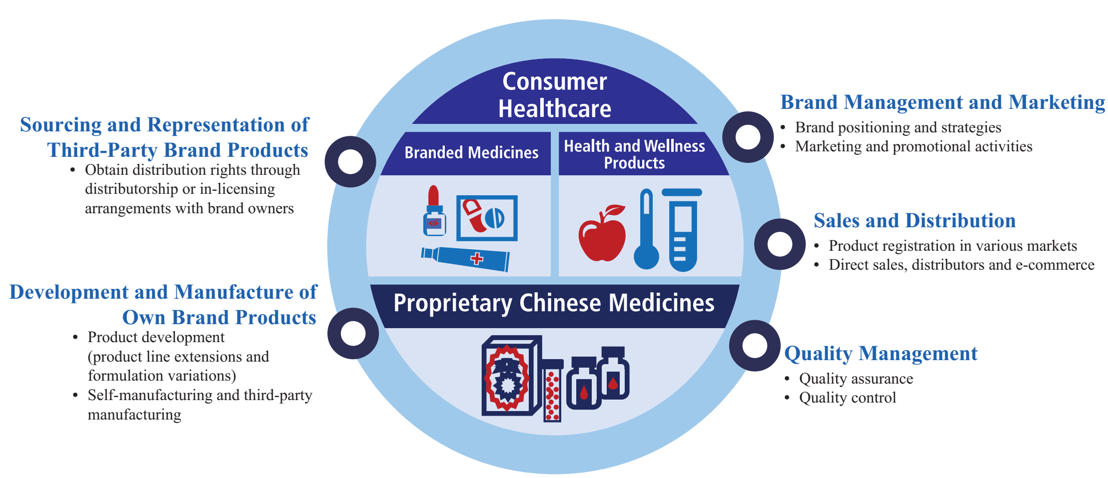
We are a leading Hong Kong-based company that markets and distributes branded healthcare products with product footprint across Greater China, Southeast Asia and other select countries. In 2019, we ranked fourth by revenue among brand operators that carry both OTC proprietary medicines and OTC proprietary Chinese medicines in Hong Kong, according to the Frost & Sullivan Report. Our portfolio includes a wide range of quality branded healthcare products divided into two product categories: (i) consumer healthcare, consisting of branded medicines, which are proprietary medicines primarily distributed over-the-counter, and health and wellness products; and (ii) proprietary Chinese medicines, consisting of OTC proprietary Chinese medicines and concentrated Chinese medicine granules, or CCMG, products. Professionalism has been at the core of our corporate culture and our reputation is upheld through our persistence in product safety, efficacy and quality.

OUR BUSINESS MODEL

We pride ourselves as a brand incubator and manager, with a proven track record of introducing well-established overseas branded products to our local markets, as well as rejuvenating heritage household brands to stimulate market demand and broaden their market appeal. We operate a vertically integrated business encompassing brand management and marketing, sourcing and representation of third-party brand products, development and manufacturing of own brand products, and sales and distribution.

The following diagram illustrates our branded healthcare business model, which is built upon five core competencies below:

Branded Healthcare Business Model



- *Brand management and marketing*: We manage a portfolio of well-established and trusted third-party brands and own brands and are committed to continually driving brand engagement and sales through our multi-channel marketing campaigns. We seek to use our market and consumer insights to devise more precise product positioning and brand management strategies to improve our product appeal and consumer interests, and drive our product development initiatives.

- *Sourcing and representation of third-party brand products*: A majority of our consumer healthcare products are sourced from overseas third-party brand owners. As at March 31, 2020, we carried 11 principal third-party brands, the majority of which were sourced from Europe, including consumer healthcare products imported from reputable European GMP-accredited, ISO-certified or SGS-certified manufacturers. We generally obtain exclusive distribution rights from the third-party brand owners with which we enter into distributorship or in-licensing agreements for the sale and distribution of the relevant products in selected geographic markets.
- *Development and manufacture of own brand products*: As at March 31, 2020, we owned nine principal brands of branded healthcare products. The majority of our own brand products are OTC proprietary medicines and OTC proprietary Chinese medicines with long established proprietary formulations based on ancient prescriptions, pharmacopeia prescriptions or customary Chinese prescriptions. Tailored to the characteristics of our own brand product portfolio, our product development efforts have been directed towards product line extensions, formulation variations and formulation refinements for targeted overseas markets and expansion into new markets.
- *Sales and distribution*: We adopt a hybrid of sales and distribution models tailored for different products and geographic markets. In Hong Kong, we sell our products both directly and indirectly (through our Hong Kong Distributor and our trading company customers) to major modern trade chain stores, registered pharmacies and drug stores, as well as corporate clients, hospitals and clinics, and end consumers (through online platforms). In addition, we sell 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 in 2019, according to the Frost & Sullivan Report), and from time to time, to non-profit organizations. Outside of Hong Kong, we sell selected products to China, Macau, Taiwan, and select countries in Southeast Asia, Europe, North America and the Caribbean Islands, primarily through distributorship and wholesaling arrangements. Meanwhile, we also devote dedicated resources to fulfill relevant product registration requirements and to closely monitor the regulatory regimes to ensure that our existing products and new products continue to comply with relevant product registration and product license requirements.
- *Quality management*: We enforce stringent quality assurance and control covering a wide range of activities, including procurement, manufacturing, release of finished products, stability studies, and validation and qualification of equipment and facilities. Our quality assurance personnel are responsible for ensuring GMP compliance, whereas our quality control personnel are responsible for arranging or carrying out all necessary and relevant tests on raw materials, manufacturing process, work in progress and finished products.

OUR PRODUCTS

Our focus on brand management and portfolio development has enabled us to build a notable and growing brand portfolio. As of March 31, 2020, our portfolio comprised 194 brands, with more than 1,700 products (including more than 700 single and combo formula CCMG products) counted by SKUs as in line with industry norm according to the Frost & Sullivan Report. Given that each brand may consist of multiple products or a number of SKUs of products in different dosage forms and package sizes, the number of products we carry is materially higher than the number of brands in our portfolio.

We manage our product lines under three business segments as follows:

- *Branded medicines*, which are proprietary medicines whose active ingredients are chemical compounds with a certain composition and specific dosage form and dosage, prepared for immediate medicinal use, available and prepared for dispensing to the public, and with a uniform name, packaging, container, and labeling approved for marketing by the regulatory authority. We entered the branded medicine market in Hong Kong in 2006 and have since considerably grown our portfolio to address a vast array of consumer healthcare needs in Hong Kong, Macau and other select overseas markets.

- *Health and wellness products*, which comprise supplements, medical consumables and other non-pharmaceutical products for the general health and wellness of consumers. These products are intended to meet the everyday needs of the increasingly health-conscious consumers, ranging from personal hygiene and infection control to personal care, skincare and functional supplements. We entered the health and wellness market in Hong Kong in 2008 and as at March 31, 2020, 6 of the 20 principal brands we carried were health and wellness products.

- *Proprietary Chinese medicines*, which comprise proprietary products (i) composed solely of (a) any Chinese herbal medicines specified in the Chinese Medicine Ordinance; or (b) any materials of herbal, animal or mineral origin customarily or widely used by the Chinese; or (c) any medicines and materials referred to in (a) and (b) respectively, as active ingredients; (ii) formulated in a finished dosage form; and (iii) known or claimed to be used for the diagnosis, treatment, prevention or alleviation of any disease or any symptom of a disease in human beings, or for the regulation of the functional states of the human body. We first entered the proprietary Chinese medicine market in 2003. As of the Latest Practicable Date, we offered proprietary Chinese medicines in a wide variety of dosage forms, including pills, tablets, powder, medicated oils, inhalers, balms and CCMG.

We deploy dual engines to support our business developments and growth of our product portfolio: (i) organic business growth through the sourcing of quality third-party brand products, as well as the development of product line extensions; and (ii) strategic acquisitions of and investments in synergetic brands. Our selected key business development milestones include (i) our acquisition of attractive branded healthcare brands since 2003, including Flying Eagle Woodlok Oil, Po Chai Pills, Shiling Oil and Ho Chai Kung; (ii) our investment in Smartfish in 2019, the third-party brand owner of one of our top-10 health and wellness products for the year ended March 31, 2020; and (iii) our establishment of a joint venture in 2020 to distribute Weisen-U (gastric tablets) to markets outside of Greater China and develop new product lines in other therapeutic areas under the brand "Weisen-U" for Asia.

Our product portfolio includes products from both third-party brands (where we obtained distribution rights through distributorship or in-licensing arrangements with third-party brand owners) and our own brands (where we own the brands and manufacture the products in-house or with the support of third-party manufacturers). As at March 31, 2020, we carried a total of 20 principal brands (identified as our top 20 brands in terms of revenue contribution during the financial year), including 11 third-party brands and 9 own brands as primarily illustrated below, which together accounted for 94.3% of our total revenue for that financial year:

The following tables set forth the number of brands by brand ownership and business segment and the changes in the number of brands carried by us for or during the periods indicated:

	Year ended March 31,			Four months ended
	2018	2019	2020	July 31, 2020
Third-party brands				
Consumer healthcare				
Branded medicines	10	12	12	12
Health and wellness products	36	29	29	29
	46	41	41	41
Proprietary Chinese medicines	3	3	5	5
	49	44	46	46
Own brands				
Consumer healthcare				
Branded medicines	1	1	1	1
Health and wellness products[1]	31	33	33	33
	32	34	34	34
Proprietary Chinese medicines[1]	113	113	114	114
	145	147	148	148
	194	**191**	**194**	**194**

Note:

(1) Include miscellaneous less publicized brands whose products are primarily targeted for sale in smaller, stand-alone drug stores in Hong Kong.

	Year ended March 31,			Four months ended
	2018	2019	2020	July 31, 2020
Number of brands carried at the beginning of period	196	194	191	194
Number of new brands [1]	1	10	7	0
Number of brands ceased to carry [2]	3	13	4	0
Number of brands carried at the end of the period	194	191	194	194

Notes:

(1) Include 4 of our 20 principal brands as at March 31, 2020, namely Dr. Freeman, AIM Atropine and two CCMG brands.

(2) Include miscellaneous less publicized brands whose products are primarily targeted for sale in smaller, stand-alone drug stores in Hong Kong.

There has been no material change to the number of brands carried by us since July 31, 2020.

Licenses, Permits and Approvals

Our branded healthcare products are subject to various compliance requirements, including registration of certain branded medicines with the Pharmacy and Poisons Board of Hong Kong, the manufacturing of Western medicines under GMP in accordance with PIC/S GMP Guide, and the registration of proprietary Chinese medicines with the Chinese Medicines Board. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had obtained all necessary registrations, licenses, permits and approvals from the relevant authorities that are material for our business operations. For further details, see the section headed "Business — Licenses, Permits and Approvals."

MANUFACTURING FACILITIES

Apart from our own brand CCMG products which are outsourced to GMP-accredited third-party manufacturers for production, we manufacture most of the products under our principal own brands in-house. More particularly, revenue from sales of our self-manufactured own brand products accounted for 98.4% and 98.0% of our overall sales of own brand products in the years ended March 31, 2018 and 2019, respectively, which decreased to 74.3% and further to 56.5% in the year ended March 31, 2020 and the four months ended July 31, 2020, respectively, primarily as a result of the consolidation of revenue from sales of CCMG products (which are manufactured by third-party manufacturers) under the Orizen Group since August 2019. Excluding sales of CCMG products, revenue from sales of our self-manufactured own brand products accounted for 98.4%, 98.0%, 95.6% and 85.9% of our sales of non-CCMG own brand products during the same periods, respectively.

Our manufacturing facilities are located in Hong Kong and comprise (i) a PIC/S GMP-accredited manufacturing facility for the production of our Ho Chai Kung branded products; (ii) two GMP-accredited manufacturing facilities mainly for the production of Po Chai Pills and Flying Eagle Woodlok Oil; and (iii) other manufacturing facilities primarily used for the production of certain other proprietary Chinese medicines. As of the Latest Practicable Date, we remained as one of the few GMP-accredited proprietary Chinese medicine manufacturers in Hong Kong, according to the Frost & Sullivan Report.

The following table sets forth a summary of our annual production capacity and utilization rates for our manufacturing facilities for the periods indicated. We have maintained moderate utilization rates during the Track Record Period, which we believe would provide us with a reasonable buffer in production capacity to cater for further business growth.

		Year ended March 31,			Four months ended July 31,	
Production line	**Operational Information**	**2018**	**2019**	**2020**	**2019**	**2020**
Pills, powder and tablets	Maximum designed production capacity *(in kg)*(1)	352,800	352,800	352,800	114,374	114,374
	Output *(in kg)*	144,201	178,028	152,796	56,258	58,450
	Utilization rate(2)	41%	50%	43%	49%	51%

Notes:

(1) Maximum designed production capacity is calculated assuming 300 days per year, six days of operation per week and 12 hours of operation per day at maximum output batch size.

(2) Utilization rate is calculated by dividing actual output by maximum designed production capacity.

MAJOR SUPPLIERS AND CUSTOMERS

Our suppliers include (i) raw material or packaging material suppliers; and (ii) finished good suppliers (namely third-party brand owners and third-party manufacturers). We believe that we have good relationships with our major suppliers. The primary raw materials for our self-manufactured products are menthol, paracetamol, Chinese herbs, chemicals and excipients, while the main packaging materials we use include paper and aluminum foil, most of which are general commodities commonly available in the market. For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, our five largest raw material or packaging material suppliers accounted for 72.9%, 66.4%, 67.3% and 78.3% of our total purchases of raw materials and packaging materials, respectively. For the same periods, our five largest finished good suppliers (namely third-party brand owners and third-party manufacturers) accounted for 91.8%, 88.6%, 58.7% and 63.3% of our total purchases of finished goods, respectively.

We sell a majority of our products directly to corporate customers (including major modern trade chain stores, registered pharmacies and drug stores, trading companies, corporate clients and hospitals and clinics) in Hong Kong, and engage a relatively limited number of distributors and wholesalers for the distribution of selected products in Hong Kong, China and overseas, who then on-sell our products to their downstream customers. We have maintained stable relationships with key retailers, our Hong Kong Distributor and overseas distributors and wholesalers. For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, our five largest customers accounted for 35.2%, 40.4%, 28.3% and 40.9% of our revenue, respectively.

To the best knowledge of our Directors, all of our five largest raw material or packaging material suppliers, our five largest finished good suppliers and five largest customers during the Track Record Period are Independent Third Parties and none of our Directors, supervisors or their associates or any person who owned 5% or more of our issued share capital as of the Latest Practicable Date had any interest in any of them.

COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and distinguish us from our competitors:

- a leading Hong Kong-based brand operator with a notable and growing brand portfolio and proven brand management capability;
- a unique field player with a heritage of pharmaceutical background and quality-driven culture of Jacobson Pharma;
- dual engines of growth through sourcing and development of category-leading products and acquisitions of synergetic brands;
- extensive sales and distribution network in Hong Kong with multi-region geographical reach; and
- seasoned management team with in-depth industry knowledge and regional experience.

BUSINESS STRATEGIES

Our mission is to enable better health through self-care. We intend to implement the following key business strategies:

- expand product offerings and deepen product penetration in China through cross-border e-commerce initiatives;
- further expand our portfolio through organic growth and mergers and acquisitions;
- develop a branded healthcare product sourcing and distribution platform in Asia through the integration of our regional resources and foothold; and
- unleash the sales and distribution potential of our Chinese medicine practitioner network.

SUMMARY CONSOLIDATED FINANCIAL AND OPERATING DATA

The tables below present our summary consolidated financial data derived from our consolidated statements of profit or loss and other comprehensive income and consolidated cash flow statements for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2019 and 2020 and our consolidated statements of financial position as of March 31, 2018, 2019 and 2020 and July 31, 2020 included in the Accountants' Report in Appendix I to this prospectus. The following data and discussion should be read in conjunction with our consolidated financial statements and related notes and the section headed "Financial Information."

Summary Consolidated Statements of Profit or Loss and Other Comprehensive Income

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

Revenue

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

	Year ended March 31,						Four months ended July 31,			
	2018		2019		2020		2019		2020	
	HK$'000	% of revenue	HK$'000	% of revenue	HK$'000	% of revenue	HK$'000 (unaudited)	% of revenue	HK$'000	% of revenue
Consumer healthcare										
Branded medicines										
Third-party brand products	33,601	12.7	47,639	15.4	49,416	12.9	16,395	24.1	12,098	10.2
Own brand products	85,730	32.4	81,194	26.5	92,799	24.4	16,816	24.7	18,726	15.7
	119,331	45.1	128,833	41.9	142,215	37.3	33,211	48.8	30,824	25.9
Health and wellness products										
Third-party brand products	21,984	8.3	28,766	9.4	45,314	11.9	10,095	14.8	16,137	13.6
Own brand products	3,874	1.5	4,661	1.5	10,004	2.6	1,646	2.4	7,904	6.7
	25,858	9.8	33,427	10.9	55,318	14.5	11,741	17.2	24,041	20.3
	145,189	54.9	162,260	52.8	197,533	51.8	44,952	66.0	54,865	46.2
Proprietary Chinese medicines										
Third-party brand products	–	–	263	0.1	12,638	3.3	17	0.1	4,525	3.8
Own brand products	119,143	45.1	144,992	47.1	171,371	44.9	23,120	33.9	59,380	50.0
	119,143	45.1	145,255	47.2	184,009	48.2	23,137	34.0	63,905	53.8
Total	**264,332**	**100.0**	**307,515**	**100.0**	**381,542**	**100.0**	**68,089**	**100.0**	**118,770**	**100.0**

Revenue increased by 16.3% from HK$264.3 million for the year ended March 31, 2018 to HK$307.5 million for the year ended March 31, 2019, and further by 24.1% to HK$381.5 million for the year ended March 31, 2020. Revenue also increased by 74.4% from HK$68.1 million for the four months ended July 31, 2019 to HK$118.8 million for the corresponding period in 2020.

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

- *Fluctuations in sales of Po Chai Pills and Ho Chai Kung Tji Thung San*: During the Track Record Period, Po Chai Pills and Ho Chai Kung Tji Thung San were our two top-selling products and together accounted for 65.7%, 59.3%, 43.4% and 38.4% of our revenue for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively. Therefore, fluctuations in sales of these two products have a significant impact on our overall revenue. In particular, sales of Po Chai Pills decreased by HK$29.1 million in the year ended March 31, 2020 mainly as a result of the negative impact of the social unrest in the second half of 2019 and the COVID-19 outbreak in 2020. However, we recorded an increase in Po Chai Pills sales of HK$16.4 million during the four months ended July 31, 2020 as compared to the corresponding period in 2019 as we adjusted our sales promotion practices while COVID-19 continued, whereby we switched from periodic promotional campaigns (which tend to skew our sales volume towards the months of campaign) to the offering of year-round promotions which tend to even out our sales of Po Chai Pills throughout the period.

- *Acquisition of the Orizen Group*: Our acquisition of additional stake and control of the Orizen Group in August 2019, which expanded our product portfolio to include more than 700 single and combo formula CCMG products under two CCMG brands, contributed significantly to our increase in revenue for the year ended March 31, 2020 and the four months ended July 31, 2020. More specifically, the consolidation of revenue from the Orizen Group contributed HK$70.9 million and HK$33.7 million, or 18.6% and 28.4%, of our revenue for the year ended March 31, 2020 and the four months ended July 31, 2020, respectively.

- *Portfolio expansion*: The successful launch and commercialization of selected new brands during the Track Record Period also contributed to the growth of our business. Aside from 2 CCMG brands under the Orizen Group that were added to our brand portfolio as described above, the new brands added to our portfolio during the Track Record Period also included 2 of our 20 principal brands as at March 31, 2020, namely, AIM Atropine (launched in late 2018) and Dr. Freeman (launched in 2020). Together, sales of products under these two brands generated HK$12.4 million, HK$28.0 million and HK$12.2 million, or 4.0%, 7.3% and 10.3%, of our revenue for the years ended March 31, 2019 and 2020 and the four months ended July 31, 2020, respectively.

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

For further details of our revenue, see the sections headed "Financial Information — Principal Consolidated Statements of Profit or Loss and Other Comprehensive Income Items — Revenue" and "Financial Information — Period to Period Comparison of Results of Operations."

Despite the negative impact of the social unrest in the second half of 2019 and the COVID-19 outbreak since the beginning of 2020 on the sales of many of our branded healthcare products, particularly our Po Chai Pills, we achieved a relatively steady increase in overall revenue performance for the year ended March 31, 2020, and an overall increase in revenue in the four months ended July 31, 2020 compared to the same period in 2019. We attribute this relatively resilient sales performance mainly to the factors described above. Nevertheless, we expect our business and results of operations will be further negatively affected by the COVID-19 outbreak, as further described in the section headed "— Recent Developments — Sales Performance."

Gross profit

The following tables set forth the breakdown of our gross profit and gross profit margin by business segment and distribution channel for the periods indicated:

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

	Year ended March 31,						Four months ended July 31,			
	2018		2019		2020		2019		2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000 (unaudited)	%	HK$'000	%
Direct sales										
Trading companies	87,659	57.1	96,283	60.5	83,722	53.5	14,204	49.6	22,765	53.7
Chinese medicine practitioners	–	–	–	–	30,917	44.0	–	–	15,092	45.5
Retailers	30,193	58.9	28,866	58.5	24,236	62.0	7,541	50.7	4,932	54.1
Hospitals and clinics	8,418	66.0	14,760	53.5	20,678	54.2	5,490	51.9	7,591	53.1
Others	4,925	47.9	4,176	44.7	7,450	38.7	1,346	35.8	2,139	40.4
	131,195	57.6	144,085	58.7	167,003	51.7	28,581	49.4	52,519	50.4
Distributors and wholesalers	14,994	41.1	25,600	41.2	23,176	39.8	3,859	37.7	5,894	40.6
Total	**146,189**	**55.3**	**169,685**	**55.2**	**190,179**	**49.8**	**32,440**	**47.6**	**58,413**	**49.2**

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

Our overall gross profit margin remained relatively stable at 55.3% and 55.2% for the two years ended March 31, 2018 and 2019 but declined to 49.8% in the year ended March 31, 2020, and thereafter remained stable at a comparable level of 49.2% for the four months ended July 31, 2020. The decline in gross profit margin for the year ended March 31, 2020 was a result of the lower gross profit margins across all three business segments. In particular, (i) the decrease in the gross profit margin of branded medicines was mainly due to our joint effort with the third-party brand owner to provide substantial quantities of AIM Atropine 0.01% Eye Drops at a very minimal price point to an academic establishment for their research purposes; (ii) the decrease in the gross profit margin of health and wellness products was mainly due to our sales of face masks amid the COVID-19 outbreak which had a relatively low gross profit margin; and (iii) the decrease in the gross profit margin of proprietary Chinese medicines was partly due to a decrease in sales of Po Chai Pills as described above, which had a relatively high gross profit margin.

Profit for the year or period

Profit for the year increased by 35.2% from HK$43.8 million for the year ended March 31, 2018 to HK$59.3 million for the year ended March 31, 2019, then decreased by 25.3% to HK$44.3 million for the year ended March 31, 2020. The increase in the year ended March 31, 2019 was mainly due to (i) an increase in revenue as our business expanded; (ii) our share of profits of the Orizen Group, which became our associates as a result of our acquisition of 45% of the issued shares of Orizen on July 11, 2018; and (iii) our efforts to optimize our selling and distribution initiatives with cost control measures over traditional offline marketing campaigns that resulted in a decrease in selling and distribution expenses as a percentage of revenue. The decrease in net profit in the year ended March 31, 2020, despite the profit contribution of the Orizen Group following our acquisition of its controlling stake in August 2019, was mainly due to (i) an increase in selling and distribution expenses, which was primarily attributable to increased expenses incurred for the development of our branded healthcare business in China; and (ii) our lower overall gross profit margin, which was primarily attributable to (a) the lower gross profit margins of all three business segments, in particular proprietary Chinese medicines, for the year ended March 31, 2020 and (b) a decrease in the percentage revenue contribution of branded medicines. Profit for the period increased significantly by HK$4.7 million from HK$3.8 million for the four months ended July 31, 2019 to HK$8.5 million for the corresponding period in 2020, primarily due to the profit contribution of the Orizen Group.

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

Summary Consolidated Balance Sheet Data

	As of March 31,			As of July 31,	As of November 30,
	2018	2019	2020	2020	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)
Current assets	322,757	363,148	270,118	322,000	230,647
of which: inventories	*31,359*	*30,046*	*63,778*	*62,954*	*60,066*
trade and other receivables	*231,142*	*281,088*	*129,909*	*79,572*	*108,032*
Current liabilities	916,653	1,031,764	99,860	55,732	125,376
of which: trade and other payables and contract liabilities	*896,121*	*1,016,137*	*85,837*	*38,737*	*43,660*
Net current (liabilities)/assets	(593,896)	(668,616)	170,258	266,268	105,271
Non-current assets	802,963	929,494	1,098,118	1,104,773	1,094,300
of which: intangible assets	*599,155*	*591,774*	*854,014*	*864,521*	*858,633*
Non-current liabilities	87,877	82,768	553,672	484,033	298,710
of which: amount due to the immediate holding company	–	–	*440,000*	*372,933*	–
Net assets	121,190	178,110	714,704	887,008	900,861
Total equity attributable to equity shareholders of the Company	97,169	147,640	657,330	848,247	860,523
Non-controlling interests	24,021	30,470	57,374	38,761	40,338
Total equity	121,190	178,110	714,704	887,008	900,861

Inventories increased from HK$30.0 million as of March 31, 2019 to HK$63.8 million as of March 31, 2020, which was primarily a result of (i) our consolidation of the inventories of the Orizen Group; and (ii) increased inventories of antiseptic hand rubs in light of the COVID-19 outbreak.

Trade and other receivables decreased from HK$281.1 million as of March 31, 2019 to HK$129.9 million as of March 31, 2020. This was mainly caused by the assignment of a substantial portion of the amounts due from the Jacobson Connected Persons to the immediate holding company as part of the Reorganization. It further decreased to HK$79.6 million as of July 31, 2020, which was mainly due to the settlement of substantially all of the remaining balance in preparation for the Spin-off.

Trade and other payables and contract liabilities decreased substantially from HK$1.0 billion as of March 31, 2019 to HK$85.8 million as of March 31, 2020. This decrease was primarily a result of the substantial decrease in amounts due to the Jacobson Connected Persons mainly for the payment for various acquisitions (including the brands of Tong Tai Chung Woodlok Oil (唐太宗活絡油) and Ho Chai Kung (何濟公)) completed prior to the Track Record Period, which were set-off and capitalized as part of the Reorganization in preparation for the Spin-off.

As a result of the foregoing, we recorded net current liabilities of HK$593.9 million and HK$668.6 million as of March 31, 2018 and 2019, and net current assets of HK$170.3 million as of March 31, 2020, respectively. Net current assets further increased by HK$96.0 million, or 56.4%, to HK$266.3 million as of July 31, 2020 primarily as a result of our receipt of the Pre-IPO Investments from the Strategic Investors, but decreased by HK$161.0 million, or 60.5%, to HK$105.3 million as of November 30, 2020 primarily as a combined result of (i) a decrease in current assets upon the utilization of the proceeds from the Pre-IPO Investments, and (ii) an increase in current liabilities arising from the current portion of the new bank loan drawn down in November 2020.

Intangible assets under non-current assets include goodwill, club memberships, trade marks, unpatented drugs, customer relationship and distribution rights. As of July 31, 2020, we had net assets attributable to equity shareholders of our Company of HK$848.2 million, while the carrying amount of our intangible assets was HK$864.5 million, which represented 60.6% of our total assets, as a result of which we reported net tangible liabilities attributable to equity shareholders of our Company of HK$16.3 million.

Amount due to the immediate holding company under non-current liabilities increased from nil as of March 31, 2019 to HK$440.0 million as of March 31, 2020 mainly as a combined result of the assignment of the amounts due to and from the Jacobson Connected Persons to the immediate holding company and the partial set-off of such amounts by the issuance and allotment of Shares to the immediate holding company as part of the Reorganization as mentioned above. It was decreased to HK$372.9 million as of July 31, 2020 upon capitalization, and was fully settled as of November 30, 2020.

Net assets increased substantially from HK$178.1 million as of March 31, 2019 to HK$714.7 million as of March 31, 2020 mainly as a result of the Reorganization which involved, inter alias, the transfer of the relevant businesses and companies comprising our Group to our Company and the setting-off of amounts due to the immediate holding company by way of issuance and allotment of Shares to the immediate holding company. Our net assets were further increased to HK$887.0 million as of July 31, 2020 as a result of the Pre-IPO Investments.

Summary Consolidated Cash Flow Statements

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

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

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

Key Financial Ratios

The following table sets forth our key financial ratios, the definitions of which are set forth in the section headed "Financial Information — Key Financial Ratios," as of the dates or for the periods indicated:

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

Note:

(1) This four-month number is not meaningful as it is not comparable to the annual numbers.

Key Operating Data

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

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

Notes:

(1) We launched Dr. Freeman Antiseptic Hand Rubs in February 2020.

(2) Products that were not among the five top-selling products for the period indicated are denoted with an asterisk (*).

(3) We launched AIM Atropine 0.01% Eye Drops in September 2018.

Throughout the Track Record Period, Po Chai Pills and Ho Chai Kung Tji Thung San were our two top-selling products. The sales volume of Ho Chai Kung Tji Thung San in the four months ended July 31, 2019 and 2020, when annualized, was comparably lower than the sales volume for the years ended March 31, 2019 and 2020, partly because our promotional efforts for Ho Chai Kung branded products were more concentrated in the second half of the 2019 and 2020 financial years, which generally resulted in higher sales in the corresponding periods. In terms of average selling prices, (i) the significant decreases in average selling prices of AIM Atropine 0.01% Eye Drops in the year ended March 31, 2020 and the four months ended July 31, 2020 were primarily driven by our joint effort with the third-party brand owner to provide substantial quantities of products at a very minimal price point to an academic establishment for their research purposes (the apparent decreasing trend in average selling prices across these two periods were largely driven by the increasing proportion of such special sales to our overall sales quantities of our AIM Atropine 0.01% Eye Drops in the four months ended July 31, 2020), while (ii) the significant decrease in the average selling price of Contractubex products in the four months ended July 31, 2020 was mainly attributable to lower price points given to bulk purchases coupled with promotional giveaways offered to select major modern trade chain stores during the period.

PRE-IPO INVESTMENTS

We have received the Pre-IPO Investments from three Strategic Investors, namely New Heritage Healthcare Limited, Gold Century Assets Limited and Profit Cape Limited, for an aggregate consideration of HK$97 million in respect of a total of 97,000,000 Shares, representing approximately 11.43% of the total issued Shares immediately after completion of the Pre-IPO Investments. The Subscription Shares subscribed by the Strategic Investors are subject to a lock-up period for the first six months after the Listing. For further details, see the section headed "History, Reorganization and Corporate Structure — Pre-IPO Investments."

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Upon the Listing, Mr. Sum, Jacobson Pharma, JBM Group BVI, Kingshill, Queenshill and Lincoln's Hill will be the Controlling Shareholders of our Company. Jacobson Pharma was established in the late 1990s and listed on the Main Board of the Stock Exchange since September 21, 2016 (stock code: 2633). Mr. Sum, Chairman of the Board and a non-executive Director, founded the Jacobson Pharma Group, which began its business as a pharmaceutical company and has become one of the largest generic drugs company in Hong Kong by sales in 2019, according to the Frost & Sullivan Report. Its wholly-owned subsidiary, JBM Group BVI, is a limited liability company incorporated in the BVI and is an investment holding company.

Immediately following the Spin-off, (i) our Company will be owned as to approximately 53.7% by JBM Group BVI and (ii) JBM Group BVI will continue to be wholly-owned by Jacobson Pharma. Mr. Sum is one of the founders of the Jacobson Pharma Group and is interested in, through Kingshill and Queenshill, an aggregate of approximately 58.9% in the Jacobson Pharma Shares as of the Latest Practicable Date. Our Company will remain as a subsidiary of Jacobson Pharma and our Controlling Shareholders will collectively own approximately 69.7% of our Shares upon the Listing. Our Directors are of the view that we are capable of carrying on our business independently from the Remaining Parent Group following the completion of the Public Offer. For further details, see the section headed "Relationship with Jacobson Pharma."

For details of the continuing connected transactions between the Jacobson Connected Persons and the Group following the Listing, see the section headed "Connected Transactions."

JACOBSON PHARMA DISTRIBUTION AND THE SPIN-OFF

On January 15, 2021, the Jacobson Pharma Board declared the Jacobson Pharma Distribution to the Qualifying Jacobson Pharma Shareholders, being registered holders of Jacobson Pharma Shares whose names appear on the register of members of Jacobson Pharma as of the Record Date. The Jacobson

Pharma Distribution will be satisfied wholly by way of a distribution in specie to the Qualifying Jacobson Pharma Shareholders of an aggregate of 241,777,625 Shares, representing approximately 28.5% of the entire issued share capital of our Company, in proportion to their shareholdings in Jacobson Pharma as of the Record Date. Pursuant to the Jacobson Pharma Distribution, the Qualifying Jacobson Pharma Shareholders will be entitled to one Share for every eight Jacobson Pharma Shares held as of the Record Date. Fractional entitlements of Qualifying Jacobson Pharma Shareholders to our Shares under the Jacobson Pharma Distribution will be disregarded and will instead be aggregated and sold on the market and the aggregate proceeds of such sale (net of expenses and taxes) will be retained for the benefit of Jacobson Pharma.

The Jacobson Pharma Distribution is subject to the Public Offer becoming unconditional. See the section headed "Structure of the Public Offer — Conditions of the Public Offer" for further details. If this condition is not satisfied, the Jacobson Pharma Distribution will not be made and the Spin-off will not take place. For further details, see the section headed "Jacobson Pharma Distribution and the Spin-off."

PUBLIC OFFER STATISTICS

The statistics below are based on the assumption that 44,686,000 Offer Shares are issued (which represent approximately 5.0% of the total issued Shares upon completion of the Spin-off) under the Public Offer:

	Based on the Offer Price of HK$1.20 per Share
Market capitalization of the Shares following the completion of the Public Offer(1)	HK$1,072.4 million
Unaudited pro forma adjusted net tangible assets per Share(2)	HK$0.01

Notes:

(1) The calculation of market capitalization is based on the assumption that 893,686,000 Shares will be in issue immediately following completion of the Public Offer.

(2) The unaudited pro forma adjusted net tangible assets per Share is calculated after the adjustments referred to in the section headed "Financial Information — Unaudited Pro Forma Financial Information" and on the basis of 893,686,000 Shares to be in issue immediately following completion of the Public Offer.

REASONS FOR AND BENEFITS OF THE SPIN-OFF AND USE OF PROCEEDS

Reasons for and Benefits of the Spin-off

Shareholders and prospective investors should note that the Spin-off will only involve a fund raising of HK$53.6 million through the Public Offer which, after deducting related listing expenses, will result in minimal net proceeds of HK$10.6 million for our business pursuits. Notwithstanding the above, both Jacobson Pharma and our Company hold the view that the Spin-off is in the interest of our Shareholders and the shareholders of Jacobson Pharma taken as a whole, on the basis that our Group's branded healthcare business and the Remaining Parent Group's generic drug business are distinct from each other in their respective market segmentation and growth path and are generally assessed under different market sub-segments which enjoy different market valuations. The Spin-off serves as an appropriate and viable means to provide liquidity for our Shares on an open trading market and unlock the intrinsic value of our Group, by providing us with an independent, separate listing platform, thereby allowing the investment market to attribute a market value to our Group based our own industry and growth benchmarks, and providing investors with an open trading market for our Shares to freely invest in and realize their investment with a standalone market valuation. In this connection, Jacobson Pharma had been trading at a market valuation between HK$2.1 billion to HK$3.7 billion since January 1, 2020 up to the Latest Practicable Date, attributing to us an implicit share of market valuation in the range of HK$401.1 million to HK$704.4 million based on our Group's share of profit contribution to the Jacobson Pharma Group for the year ended March 31, 2020. Our expected market capitalization upon completion of the Spin-off (i.e. our Listing), on the other hand, is HK$1,072.4 million which is well above the inferred range of market capitalization attributed to us. The Spin-off therefore facilitates an immediate positive value unlock for Jacobson Pharma and its shareholders. For other reasons for and benefits of the Spin-off, see the section headed "Jacobson Pharma Distribution and the Spin-off — The Spin-off — Reasons for and Benefits of the Spin-off."

Use of Proceeds

The net proceeds from the Public Offer, at the Offer Price of HK$1.2 per Offer Share and after deducting underwriting commissions and estimated expenses payable by us in connection with the Public Offer, are estimated to be approximately HK$10.6 million. We will apply such net proceeds for the following purposes:

Amount (HK$ million)	Approximate % of total estimated net proceeds	Intended use
5.0	47.2%	To fund the portfolio development and brand management of our proprietary Chinese medicines.
4.6	43.4%	To fund our payments (upfront, in stages or otherwise) for obtaining additional distribution rights from third-party brand owners, as part of our strategy to grow our third-party brand product portfolio.
1.0	9.4%	To supplement our working capital and for general corporate purposes.

For further details, see the section headed "Future Plans and Use of Proceeds — Use of Proceeds."

DIVIDENDS

Our Company currently does not have a pre-determined dividend payment ratio. Any future declaration of dividends may or may not reflect our prior declarations of dividends and any dividend recommendation will be at the discretion of our Board, subject to the Cayman Companies Act, Hong Kong laws and PRC laws. We may declare dividends in the future after taking into account our future operations and earnings, capital requirements and surplus, cash flows and general financial conditions, contractual restrictions and other factors that our Directors may deem relevant at such time.

RISK FACTORS

Our operations and the Spin-off involve certain risks and uncertainties, some of which are beyond our control and may affect your decision to invest in us and the value of your investment. Certain risks we face include, among others: (i) any incidents that affect the reputation of our product brands or our Group; (ii) the COVID-19 outbreak; (iii) competition from current and future competitors; (iv) failure to adapt our product offering to respond to changes in consumer preferences; (v) failure to maintain or renew our distributorship or in-licensing agreements with third-party brand owners; (vi) any quality or supply issues with our products; (vii) product liability and sufficiency of our insurance coverage; (viii) potential impairment losses on intangible assets, including goodwill, and (ix) any changes in relevant regulations or laws.

These risks are not the only significant risks that may affect the value of our Shares. See the section headed "Risk Factors" for details of risks and uncertainties related to us, which we strongly urge you to read in full before making an investment in our Shares.

COVID-19 OUTBREAK

Financial Impact

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

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

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

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

Operational Impact

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

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

Financial Viability

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

RECENT DEVELOPMENTS

Sales Performance

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

Government Subsidies and Finance Costs

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

Operational Performance

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

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

No Material Adverse Change

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

LISTING EXPENSES

In connection with the Spin-off and the Public Offer, we expect to incur listing expenses totalling HK$43.0 million. During the Track Record Period, we incurred listing expenses in the amount of HK$11.9 million, of which HK$11.5 million was recognized in the consolidated statements of profit or loss and other comprehensive income, and HK$0.4 million was capitalized as deferred expenses in the consolidated statements of financial position as of July 31, 2020 to be recognized as a reduction in equity. We expect to incur underwriting commissions and additional listing expenses of approximately HK$31.1 million in the year ending March 31, 2021, of which approximately HK$27.2 million is expected to be recognized in our consolidated statements of profit or loss and other comprehensive income, and approximately HK$3.9 million is expected to be charged against equity upon the Listing under the relevant accounting standards. The listing expenses above are the latest practicable estimate for reference only and the actual amount may differ from the estimate. We expect that our net profit for the year ending March 31, 2021 will be significantly impacted by the non-recurring listing expenses to be charged to our consolidated statements of profit or loss and other comprehensive income.

In this prospectus, unless the context otherwise requires, the following terms shall have the following meanings.

"affiliate"	with respect to any person, any other person, directly or indirectly, controlling, controlled by or under common control with such person
"Application Form"	**WHITE** Application Form, **YELLOW** Application Form and **GREEN** Application Form or, where the context so requires, any of them that is issued in connection with the Public Offer
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company, which was conditionally adopted on January 18, 2021 with effect from the Listing Date, and a summary of which is set forth in Appendix III to this prospectus
"associate"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Beneficial Jacobson Pharma Shareholder"	any beneficial owner of Jacobson Pharma Shares whose Jacobson Pharma Shares are registered, as shown in the register of members of Jacobson Pharma, in the name of a registered Jacobson Pharma Shareholder on the Record Date
"Board" or "Board of Directors"	the board of directors of our Company
"business day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalization Issue"	the issue of 721,000,000 Shares by our Company on July 24, 2020 by way of capitalization of share premium of our Company referred to in the section headed "History, Reorganization and Corporate Structure — Reorganization — Capitalization Issue"
"Cayman Companies Act"	the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised), of the Cayman Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant

"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Chairman"	the chairman of the Board
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
"China Galaxy International"	China Galaxy International Securities (Hong Kong) Co., Limited, a licensed corporation under the SFO permitted to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
"Chinese Medicine Ordinance"	the Chinese Medicine Ordinance (Chapter 549 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"close associate"	has the meaning ascribed to it under the Listing Rules
"CMCHK"	the Chinese Medicine Council of Hong Kong
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company"	JBM (Healthcare) Limited 健倍苗苗(保健)有限公司, an exempted company with limited liability incorporated under the laws of the Cayman Islands on January 7, 2020
"Competition Ordinance"	the Competition Ordinance (Chapter 619 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"connected person"	has the meaning ascribed to it under the Listing Rules
"connected transaction"	has the meaning ascribed to it under the Listing Rules
"Control of Chemicals Ordinance"	the Control of Chemicals Ordinance (Chapter 145 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Controlling Shareholder"	refers to any of Mr. Sum, Jacobson Pharma, JBM Group BVI, Kingshill, Queenshill and Lincoln's Hill, each being a controlling shareholder within the meaning of the Listing Rules
"core connected person"	has the meaning ascribed to it under the Listing Rules

"COVID-19"	coronavirus disease 2019
"CSRC"	China Securities Regulatory Commission, a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"Deed of Indemnity"	the deed of indemnity dated January 19, 2021 by Jacobson Pharma in favor of our Company (for ourselves and as trustee for each subsidiary of our Company), details of which are set out in the section headed "E. Other Information — 1. Estate Duty and Tax Indemnity" in Appendix IV to this prospectus
"Department of Health"	the Department of Health of the Government of Hong Kong
"Director"	a director of our Company
"Euro" or "EUR"	the official currency of the Eurozone, which consists of 19 of the 28 member states of the European Union
"Europharm TCM"	Europharm Laboratoires (Hong Kong) Company Limited, a company with limited liability incorporated under the laws of Hong Kong on September 12, 2019, which is a wholly-owned subsidiary of our Company
"Excluded Jurisdiction"	any jurisdiction outside Hong Kong in respect of which the Jacobson Pharma Board and the Board have determined, after making relevant enquiries and based on legal advice received, that it is necessary or expedient not to distribute Shares to the Jacobson Pharma Shareholders or the Beneficial Jacobson Pharma Shareholders located or resident in such jurisdiction pursuant to the Jacobson Pharma Distribution, on account of either the legal restrictions under the applicable laws of such jurisdictions and/or the requirements of the relevant regulatory bodies or stock exchanges in those jurisdictions. By reference to the register of members of Jacobson Pharma as of the Latest Practicable Date, there were no Excluded Jurisdictions
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a market research and consulting company and an Independent Third Party
"Frost & Sullivan Report"	a market research report prepared by Frost & Sullivan as commissioned by our Company for the purpose of this prospectus
"GDP"	gross domestic product
"GFA"	gross floor area
"Greater China"	refers to China, Hong Kong, Macau and Taiwan, collectively

"**GREEN** Application Form"	the application form to be completed by the **HK eIPO White Form** Service Provider
"Group," "we," "our" or "us"	our Company and, where appropriate, its subsidiaries or, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors, as the case may be
"HCK Medicine"	Ho Chai Kung Medicine Manufactory Limited (香港何濟公藥廠有限公司), a company with limited liability incorporated under the laws of Hong Kong on September 23, 1966, which is a wholly-owned subsidiary of our Company
"**HK eIPO White Form**"	the application for Offer Shares to be issued in the applicant's own name by submitting applications online through the **IPO App** or the designated website at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company as specified in the **IPO App** or on the designated website at **www.hkeipo.hk**
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, amendments and the related interpretations issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Distributor"	Tycoon Group Holdings Limited, a provider of a variety of proprietary Chinese medicines, health supplement, skin care, personal care and other healthcare products and an Independent Third Party, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3390), which, through its subsidiaries, acts as our distributor for selected proprietary Chinese medicines and branded medicines
"Hong Kong Share Registrar"	Tricor Investor Services Limited
"Independent Third Party"	any entity or person who, to the best knowledge of our Directors, is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules

"**IPO App**"	the mobile application for the **HK eIPO White Form** service which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**
"Jacobson BVI"	Jacobson Pharma Group (BVI) Limited (雅各臣藥業集團有限公司), formerly known as Europharm International Holdings (BVI) Limited, a company with limited liability incorporated under the laws of the BVI on March 18, 2008 and a wholly-owned subsidiary of Jacobson Pharma
"Jacobson Connected Person"	any of Jacobson Pharma, JBM Group BVI and their respective associates other than our Group
"Jacobson Medical"	Jacobson Medical (Hong Kong) Limited (雅各臣藥業(香港)有限公司), a company with limited liability incorporated under the laws of Hong Kong on October 15, 1996, which is a wholly-owned subsidiary of our Company
"Jacobson Pharma" or "Parentco"	Jacobson Pharma Corporation Limited (雅各臣科研製藥有限公司), a company with limited liability incorporated under the laws of the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2633), which will indirectly hold 53.7% of the issued share capital of our Company upon completion of the Spin-off
"Jacobson Pharma Board"	the board of directors of Jacobson Pharma
"Jacobson Pharma Distribution"	a conditional special dividend declared by Jacobson Pharma to be satisfied by way of a distribution in specie of an aggregate of 241,777,625 Shares to the Qualifying Jacobson Pharma Shareholders, subject to the satisfaction of the condition described in the section headed "Jacobson Pharma Distribution and the Spin-off"
"Jacobson Pharma Group"	Jacobson Pharma and its subsidiaries, including our Group
"Jacobson Pharma Overseas Shareholder"	holder of Jacobson Pharma Shares and any other person whose address on the register of members of Jacobson Pharma is in a jurisdiction outside Hong Kong on the Record Date
"Jacobson Pharma Share"	the ordinary share of par value of HK$0.10 each in the share capital of Jacobson Pharma which are listed on the Stock Exchange and traded in Hong Kong dollars
"Jacobson Pharma Shareholder"	holder of Jacobson Pharma Shares
"Janker"	Janker Limited (振嘉有限公司), a company with limited liability incorporated under the laws of Hong Kong on July 2, 1991, which is a wholly-owned subsidiary of our Company

"JBM BVI"	JBM (BVI) Limited, a company with limited liability incorporated under the laws of the BVI on January 15, 2020, which is a wholly-owned subsidiary of our Company
"JBM Group BVI"	JBM Group (BVI) Limited, a company with limited liability incorporated under the laws of the BVI on December 24, 2019, which is a Controlling Shareholder of our Company
"JBM PCM"	JBM (PCM) Limited, a company with limited liability incorporated under the laws of the BVI on February 12, 2020, which is a wholly-owned subsidiary of our Company
"Jetstar"	Jetstar Company Limited (捷成有限公司), a company with limited liability incorporated under the laws of Hong Kong on October 8, 1991, which is a wholly-owned subsidiary of our Company
"Joint Lead Managers"	China Galaxy International, Cinda International Capital Limited, Eddid Securities and Futures Limited, Fosun Hani Securities Limited, HeungKong Securities Limited, Maxa Capital Limited, Southwest Securities (HK) Brokerage Limited and TUS Corporate Finance Limited
"Karen Pharma"	Karen Pharmaceutical Company Limited (嘉倫藥業有限公司), a company with limited liability incorporated under the laws of Hong Kong on December 10, 1982, which is a wholly-owned subsidiary of our Company
"Kingshill"	Kingshill Development Limited, a company with limited liability incorporated under the laws of the BVI on July 8, 1998, which was wholly-owned by Trust Co as of the Latest Practicable Date and is a Controlling Shareholder of our Company
"Latest Practicable Date"	January 18, 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"LCST (Holdings)"	Li Chung Shing Tong (Holdings) Limited (李衆勝堂(集團)有限公司), a company with limited liability incorporated under the laws of Hong Kong on January 8, 1988, which is a subsidiary of our Company owned as to 64% by our Company and as to 36% by six Independent Third Parties
"Legal Counsel"	Cherry Qili Xu, barrister-at-law in Hong Kong
"Ling Chi Medicine"	Ling Chi Medicine (H.K.) Limited (香港靈芝藥業有限公司), a company with limited liability incorporated under the laws of Hong Kong on January 25, 2017, which is a wholly-owned subsidiary of our Company

"Lincoln's Hill"	Lincoln's Hill Development Limited, a company with limited liability incorporated under the laws of the BVI on November 12, 2020, which was wholly-owned by Trust Co as of the Latest Practicable Date and is a Controlling Shareholder of our Company
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Date"	the date, expected to be on or about Friday, February 5, 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 of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company, which was conditionally adopted on January 18, 2021, with effect from the Listing Date, and a summary of which is set forth in Appendix III to this prospectus
"Merz"	Merz Pharmaceuticals GmbH and its affiliates, a German healthcare group and an Independent Third Party
"MOFCOM"	the Ministry of Commerce of the PRC
"Mr. Law"	Law Shun Hoi, the founder of PCCH and an Independent Third Party
"Mr. Sum"	Sum Kwong Yip, Derek, our non-executive Director, Chairman and Controlling Shareholder
"Ms. Yang"	Yang Hua, a director of our Group at subsidiary level and a Shareholder
"NMPA"	the National Medical Products Administration of the PRC, formerly known as China Food and Drug Administration, or CFDA, or China Drug Administration, or CDA
"Nomination Committee"	the nomination committee of the Board

"Non-PCM Companies"	refers to Jacobson Medical Holdings (BVI) Limited, Golden Jade Finance Limited, Concept One Inc., Five Ocean Inc., Jolly Harvest Inc., Smiley Sun Limited, Mighty Century Limited, JBM Management Limited and Kind Hearts Limited
"Non-Qualifying Jacobson Pharma Shareholder"	any Overseas Jacobson Pharma Shareholder whose name appear in the register of members of Jacobson Pharma on the Record Date and whose address as shown in such register is in any of the Excluded Jurisdiction and any Jacobson Pharma Shareholder or Beneficial Jacobson Pharma Shareholder at that time who are otherwise known by Jacobson Pharma to be resident in any of the Excluded Jurisdiction on the Record Date who will not receive Shares pursuant to the Jacobson Pharma Distribution as the directors of Jacobson Pharma, having made relevant enquiries, consider it to be necessary or expedient to exclude them from receiving Shares on account either of the legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in that jurisdiction
"Offer Price"	the price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) of HK$1.20, at which the Offer Shares are to be subscribed for and issued pursuant to the Public Offer
"Offer Shares"	the 44,686,000 new Shares being offered by our Company for subscription at the Offer Price pursuant to the Public Offer
"Orizen"	Orizen Capital Limited, a company with limited liability incorporated under the laws of the BVI on June 6, 2018, which is a subsidiary of our Company owned as to 98% by our Company and as to 2% by Mr. Law as of the Latest Practicable Date
"Orizen Group"	Orizen and PCCH
"PCCH"	Hong Kong Premier Concentrated Chinese Herbs Limited, a company with limited liability incorporated under the laws of Hong Kong on March 26, 2003, which is a subsidiary of our Company directly owned as to 100% by Orizen, which is in turn owned as to 98% by our Company as of the Latest Practicable Date
"PCM Companies"	refers to Elegant Point Inc., PCHT Herbal Sciences Limited, Janson Holdings Limited, Excel Business Inc. and Sampan Development Limited, collectively
"PRC government"	the central government of the PRC, including all governmental sub-divisions such as provincial, municipal and other regional or local government entities

"PRC Jacobson Pharma Overseas Shareholder"	holder of Jacobson Pharma Shares and other persons whose address on the register of members of Jacobson Pharma is in the PRC on the Record Date
"PRC Legal Advisors"	Commerce & Finance Law Offices, legal advisors to our Company as to PRC laws
"Pre-IPO Investments"	the investments in our Group undertaken by the Strategic Investors before the Listing, details of which are set forth in the section headed "History, Reorganization and Corporate Structure — Pre-IPO Investments"
"Public Offer"	the offer of the Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed "Structure of the Public Offer") at the Offer Price (plus brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) on and subject to the terms and conditions described in this prospectus and the Application Forms, as further described in the section headed "Structure of the Public Offer"
"Public Offer Underwriting Agreement"	the underwriting agreement dated January 25, 2021 relating to the Public Offer entered into by our Company, Jacobson Pharma, JBM Group BVI, China Galaxy International and the Underwriters, as further described in the section headed "Underwriting — Underwriting Arrangements and Expenses"
"Qualifying Jacobson Pharma Shareholder"	any Jacobson Pharma Shareholder whose name appears on the register of members of Jacobson Pharma on the Record Date, other than a Non-Qualifying Jacobson Pharma Shareholder
"Queenshill"	Queenshill Development Limited, a company with limited liability incorporated under the laws of the BVI on December 12, 2012, which was solely owned by Mr. Sum as of the Latest Practicable Date and is a Controlling Shareholder of our Company
"Record Date"	January 29, 2021, being the record date for ascertaining entitlements to the Jacobson Pharma Distribution
"Regulation S"	Regulation S under the U.S. Securities Act
"Remaining Parent Group"	Parentco and its subsidiaries, excluding our Group
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi yuan, the lawful currency of the PRC
"Reorganization"	the reorganization arrangements undergone by us in preparation for the Listing, details of which are set forth in the section headed "History, Reorganization and Corporate Structure — Reorganization"

"Sampan"	Sampan Development Limited, a company with limited liability incorporated under the laws of the BVI on March 28, 2018, which is our wholly-owned subsidiary
"SAMR"	the State Administration for Market Regulation of the PRC
"SAT"	the State Administration of Taxation of the PRC
"SCNPC"	the Standing Committee of the National People's Congress of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SGS"	SGS SA (formerly known as Société Générale de Surveillance), a multinational company headquartered in Geneva, Switzerland, which provides inspection, verification, testing and certification services
"Share"	share of HK$0.01 each in the share capital of our Company
"Share Award Scheme"	the share award scheme conditionally adopted by our Company on January 18, 2021, a summary of the principal terms of which is set forth in "D. Share Award Scheme" in Appendix IV to this prospectus
"Share Subscription"	the subscription for the Subscription Shares in our Company by the Strategic Investors pursuant to the relevant Subscription Agreements, details of which are set forth in the section headed "History, Reorganization and Corporate Structure — Pre-IPO Investments"
"Shareholder"	holder of Shares
"Singmalay"	Singmalay Company Limited (星馬南洋有限公司), a company with limited liability incorporated under the laws of Hong Kong on July 29, 1998, which is a wholly-owned subsidiary of our Company
"SKU"	stock keeping unit
"Smartfish"	Smartfish AS and its affiliates, a Norwegian healthcare group and an Independent Third Party
"Sole Bookrunner" and "Sole Sponsor"	China Galaxy International
"Spin-off"	the proposed spin-off of our Company and the separate listing of our Shares on the Main Board of the Stock Exchange by way of the Jacobson Pharma Distribution and the Public Offer
"sq.m."	square meters
"State Council"	the State Council of the PRC

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategic Investors"	refers to the three strategic investors who entered into the Subscription Agreements, namely New Heritage Healthcare Limited, Gold Century Assets Limited and Profit Cape Limited
"Subscription Agreements"	the subscription agreements dated July 27, 2020 relating to our Company and entered into between JBM Group BVI, our Company and each of the Strategic Investors respectively, for the Share Subscription, details of which are set forth in the section headed "History, Reorganization and Corporate Structure — Pre-IPO Investments"
"Subscription Shares"	a total of 97,000,000 Shares allotted and issued by our Company and subscribed for by the Strategic Investors at the completion of the Share Subscription, details of which are set forth in the section headed "History, Reorganization and Corporate Structure — Pre-IPO Investments"
"subsidiary"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"TGA"	the Australia Therapeutic Goods Administration, a regulatory authority for therapeutic goods in Australia that regulates therapeutic goods through pre-market assessment, post-market monitoring and enforcement of standards, licensing of Australian manufacturers and verifying overseas manufacturers' compliance with the same standards as their Australian counterparts
"The Kingshill Trust"	a discretionary trust established by our non-executive Director and Chairman, Mr. Sum (as the settlor), on May 16, 2016 with Mr. Sum and his family members as the discretionary beneficiaries
"Track Record Period"	the three years ended March 31, 2020 and the four months ended July 31, 2020
"Trust Co"	Kingshill Development Group Inc., a company incorporated in the BVI which is wholly-owned by UBS Nominees Limited as nominee for UBS Trustees (B.V.I.) Limited, the trustee of The Kingshill Trust, which holds the entire issued share capital of Kingshill and Lincoln's Hill
"U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"Underwriters"	the underwriters of the Public Offer whose names are set forth in the section headed "Underwriting — Underwriters"

"United States" or "U.S."	the United States of America, its territories and possessions, any State of the United States and the District of Columbia
"Vincents Pharma"	Vincents Pharma Trading Company Limited (永生藥業有限公司), a company with limited liability incorporated under the laws of Hong Kong on November 17, 1981, which is a wholly-owned subsidiary of our Company
"**WHITE** Application Form"	the application form to be completed in accordance with the instructions in the section headed "How to Apply for the Offer Shares — A. Application for the Offer Shares — 3. Applying for the Offer Shares — Which Application Channel to Use," for use by the public who require such Offer Shares to be issued in the applicant's own name
"WHO"	the World Health Organization, an international agency associated with the United Nations and based in Geneva
"**YELLOW** Application Form"	the application form to be completed in accordance with the instructions in the section headed "How to Apply for the Offer Shares — A. Application for the Offer Shares — 3. Applying for the Offer Shares — Which Application Channel to Use," for use by the public who require such Offer Shares to be deposited directly into CCASS

This glossary contains definitions of certain technical terms used in this prospectus in connection with our business. These terms and their given meanings may not correspond to industry standard definitions or usage of these terms.

"active ingredient," "active pharmaceutical ingredient" or "API"	the ingredient in a medicine that is biologically active
"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
"analgesics"	drugs used to achieve analgesia, relief from pain
"anti-rheumatics"	drugs that manage rheumatoid arthritis
"branded healthcare"	refers to our business or products, comprising consumer healthcare products and proprietary Chinese medicines
"branded medicines"	refers to a segment of our Group's business that comprises products that are proprietary medicines whose active ingredients are chemical compounds with a certain composition and specific dosage form and dosage, prepared for immediate medicinal use, available and prepared for dispensing to the public, and with a uniform name, packaging, container, and labeling approved for marketing by the regulatory authority
"CCMG products"	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
"consumer healthcare"	refers to a category of our Group's products, comprising branded medicines and health and wellness products
"cost, insurance and freight"	refers to the arrangement whereby the seller is responsible for arranging the carriage of goods by sea to a port of destination, and providing the buyer with the documents necessary to obtain the goods from the carrier, and the risk delivered. The risk of loss of or damage to the goods passes when the goods are on board the vessel
"cycloplegia"	paralysis of the ciliary muscle of the eye
"DHA"	docosahexaenoic acid, a primary structural component of brain tissue with a crucial role in helping brain cells better communicate with each other

"ex-works"	refers to the arrangement whereby title and risks to the products pass to the overseas customer at the premise of the seller and the overseas customer will be responsible for all costs (including freight transport and insurance) and risks to the products collected from the seller's premises
"free on board"	refers to the arrangement whereby the seller is responsible for clearing the products for export and delivering the products to the shipping port, and therefrom the overseas customer will be responsible for all costs (including freight transport and insurance) and risks to the products
"functional supplement"	a type of health and wellness products that is specially processed or formulated and intended for particular nutritional uses, dietary management and health functions
"gastrointestinal"	of or relating to the stomach and the intestines
"generic drug"	a drug that contains the same active ingredients as an original formulation and is comparable in dosage form, strength, quality, performance and intended use
"genomic-based diagnostic test"	a category of diagnostic test that incorporates genome sequencing technologies to examine a person's whole genome in order to diagnose inherited diseases or inform the targeting of therapies
"GMP"	Good Manufacturing Practice, a set of detailed guidelines on practices governing the production of pharmaceutical products designed to protect consumers by minimizing production errors and the possibility of contamination
"GSDP"	Good Storage and Distribution Practices, the sets of detailed guidelines governing the storage and distribution of pharmaceutical products formulated by the WHO
"GSP"	Good Supply Practice, a set of good supply practice standards for pharmaceutical products issued by the NMPA
"health and wellness products"	refers to a segment of our Group's business that comprises products that are supplements, medical consumables and other non-pharmaceutical products for the general health and wellness of consumers
"ISO 9001"	a standard under the International Organization for Standardization used for certification or registration and contractual purposes by organizations seeking recognition of their quality management, which specifies the requirement for quality management systems for any organization that needs to demonstrate its ability to consistently provide products that meet its requisite standards

"modern trade chain stores"	refers to a series of self-service stores (where products are more commonly displayed on open shelves) that share a brand, standardized business practices and central management involving a more planned and organized approach to distribution and logistics management
"mydriasis"	the excessive or prolonged dilation of the pupil of the eye
"myopia"	a vision condition in which people can see close objects clearly, but objects farther away appear blurred
"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
"PIC/S"	the Pharmaceutical Inspection Convention and the Pharmaceutical Inspection Co-operation Scheme, which seeks to promote constructive co-operation in the field of GMP between the participating authorities in different geographic markets
"PIC/S GMP"	Good Manufacturing Practice in accordance with the PIC/S GMP Guide issued by PIC/S
"proprietary Chinese medicines"	refers to a segment of our Group's business that comprises proprietary products (i) composed solely of (a) any Chinese herbal medicines specified in the Chinese Medicine Ordinance; or (b) any materials of herbal, animal or mineral origin customarily or widely used by the Chinese; or (c) any medicines and materials referred to in (a) and (b) respectively, as active ingredients; (ii) formulated in a finished dosage form; and (iii) known or claimed to be used for the diagnosis, treatment, prevention or alleviation of any disease or any symptom of a disease in human beings, or for the regulation of the functional states of the human body
"proprietary medicines"	medicines that are mixtures of pharmaceutical ingredients with a certain composition and specific dosage form and dosage, carrying proprietary names which are mostly registered or recognized by brand names, trade marks or trade names
"registered pharmacy"	a pharmacy with a valid license of "authorized seller of poisons" in Hong Kong, which is authorized to carry on a business of retail sale of poisons if the actual sale of poisons is conducted on premises registered in respect of the seller under section 13 of the Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong) by a registered pharmacist or in his presence and under his supervision

"RSV"	respiratory syncytial virus, a common respiratory virus that usually causes mild, cold-like symptoms
"TCM" or "traditional Chinese medicines"	medicines for the prevention and treatment of diseases under the application of Chinese medicinal theories, including medicines with herbal, animal or mineral materials
"Western medicines"	pharmaceutical products and medicines as stipulated in the Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong)

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. In some cases, these forward-looking statements can be identified by words or phrases such as "anticipate," "believe," "likely," "could," "should," "ought to," "estimate," "expect," "intend," "may," "aim," "plan," "seek," "will," "would," "assume," "aspire," "going forward," "project," "potential" and other similar expressions. These forward-looking statements relate to, among others:

- our operations and business prospects;
- our future business development, financial condition and results of operations;
- our ability to successfully implement our business plans and strategies;
- the competitive landscape for our business and the development and actions of our existing and future competitors;
- consumer behavior and preferences and market trends for branded healthcare products;
- the regulatory environment and industry outlook for the general healthcare sector or our branded healthcare business;
- general political, economic, legal and social conditions and government policies in Hong Kong, China and other overseas markets;
- fluctuations in the exchange rate of the Hong Kong dollar against Euro or Renminbi;
- our proposed use of proceeds from the Public Offer;
- our future capital needs and capital expenditure plans;
- our dividend payout;
- other statements in this prospectus that are not historical facts; and
- other factors beyond our control.

The forward-looking statements contained in this prospectus relate only to events or information as of the date on which the statements are made in this prospectus. We do not undertake to update or otherwise revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on any forward-looking statements.

All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our Shares. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Brand erosion for one or more of our products could materially and adversely affect our business, financial condition and results of operations

We market and sell branded healthcare products and our success is attributable to the well-established brands of our products and our ability to manage the brands effectively. As at March 31, 2020, we carried a total of 20 principal brands, including 11 third-party brands and 9 own brands, which together accounted for 94.3% of our total revenue for that financial year. We have devoted significant resources in brand marketing, promotion and management to enhance their appeal and recognition. For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, our advertising and promotion cost amounted to HK$32.5 million, HK$32.6 million, HK$31.8 million and HK$8.1 million, or 12.3%, 10.6%, 8.3% and 6.8% of our total revenue, respectively. However, our marketing and promotional initiatives may not always be successful. If a major advertising campaign fails to yield the desired sales results, our profitability may be materially and adversely affected. In addition, the success of a brand could be affected if our marketing and promotional initiatives do not have the desired impact on the brand's image or its ability to attract consumers. Furthermore, our business could be negatively impacted if any of our products suffers substantial harm to its brand reputation due to a product recall, product-related litigation, defects or impurities in the product, product misuse, changing consumer perceptions of the product or its ingredients, allegations of product tampering or the impact of counterfeit products. In addition, negative or inaccurate reports, postings or comments on social media or websites about any of the product brands or about our Company and its affiliates by the general public or KOLs and influencers we collaborate with could generate negative publicity that could damage the reputation of our product brands or our Group. If we are unable to effectively manage our product brands or address actual or perceived issues that could result in brand erosion, we could experience a decline in demand for our products and our business, financial condition and results of operations could be materially and adversely affected.

The COVID-19 outbreak may have a material adverse impact on our business, financial condition and results of operations

The outbreak of COVID-19 has caused, and may continue to cause, an adverse and prolonged impact on both economic and social conditions in Hong Kong and other parts of the world, which may in turn interrupt our business operations. In general, the COVID-19 outbreak 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 since 2020. Although we were able to respond to the sharp market changes by introducing personal hygiene products, such as face masks and antiseptic hand rubs, to the market which were in high demand amid the COVID-19 outbreak, and recorded higher revenue for the year ended March 31, 2020 as compared to the year ended March 31, 2019, any further prolonged outbreak of COVID-19 may materially and adversely impact on our business and financial performance going forward.

We have implemented various measures to reduce the potential operational impact of the COVID-19 outbreak on our business and have closely tracked the health status of our staff. However, there is no assurance that the employees of our Group or our business partners, including third-party brand owners, third-party manufacturers and customers, will not be infected in the future, in which event we might have to suspend our operations or discard products that may have been contaminated. The extent to which the COVID-19 outbreak will affect us or our business partners is uncertain and may change significantly in the future. There is no assurance that the overall economic performance of Hong Kong and other affected countries will improve shortly even after the containment of COVID-19 and the withdrawal of relevant policies and recommendations by the governments of Hong Kong and other countries. Furthermore, it is uncertain whether and when another major outbreak of COVID-19 or other diseases will happen in the future. If any of these events occurs, our business, financial condition and results of operations may be materially and adversely affected. For further details of the impact of COVID-19 outbreak, see the sections headed "Industry Overview — Potential Market Impact from the Outbreak of COVID-19," "Financial Information — Factors Affecting Our Results of Operations — COVID-19 Outbreak" and "Financial Information — Recent Developments."

We face intense market competition for the sale of branded healthcare products

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 competitiveness of our products depends on a number of factors, including product quality, brand positioning, price, effectiveness of our marketing activities, breadth and depth of our distribution and sales networks and other factors. Some of our existing and potential competitors may have greater business resources, financial resources or experience in developing and marketing branded healthcare products than we do. In addition, such competitors may have greater brand recognition, more established or extensive distribution networks, or more extensive knowledge of our target consumers and target markets. There is no assurance that our competitors will not introduce products that are or are perceived to be comparable or superior to those of ours, or adapt more quickly than us to changes in industry trends, market preferences and requirements or consumer behaviors and habits. It is also unpredictable whether our competitors will substantially increase their advertising expenditures and promotional activities or engage in irrational or predatory pricing behavior, or whether there will be consolidation or cooperative arrangements among our competitors that could negatively affect our competitive position. If we are unable to compete effectively or otherwise respond to competitive pressure promptly or adequately, our product prices and sales may be hampered, which could result in lower profitability and materially and adversely affect our financial condition and results of operations.

Our business is subject to changing consumer preferences and perception

Consumer demand may shift away from our products due to a number of factors, including consumer preferences, confidence, income, perception of the safety and quality of our products and changes in economic and social conditions. Any failure to adapt our product offering to respond to changes in consumer preferences may result in decline in our sales, put pressure on pricing or lead to increased levels of selling and advertising expenses. Media coverage regarding the safety or quality of, or diet or health issues relating to, branded healthcare products or the raw materials, ingredients or processes involved in their manufacturing, may also affect consumer confidence in us and our products and lead consumers to switch to competing products, even if such issues are unfounded. Any changes in consumer preferences and perceptions at any time may affect the demand for our products, which could negatively impact our profitability and materially and adversely affect our financial condition and results of operations.

Our future growth depends on our ability to source and successfully commercialize third-party brand products

A substantial proportion of our consumer healthcare products are sourced from third-party brand owners. For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, 77.9%, 79.2%, 80.7% and 81.3% of the number of consumer healthcare products in our portfolio was sourced from third-party brand owners, respectively. The growth of our product portfolio hinges on our ability to source quality third-party brand products with market potential. However, there is no assurance that we will be able to successfully source new third-party brand products or renew the existing arrangements for the third-party brand products we carry in the future. In addition, the successful commercialization of a product is subject to a number of factors, including market trends, our ability to obtain the necessary licenses, permits and approvals for the sales and distribution of the products in our targeted geographical regions, branding and marketing efforts, management of downstream sales and distribution channels and other factors. Resources and costs will be incurred for the identification, sourcing (such as initial licensing fee as an upfront payment for in-licensing arrangements) and the marketing and promotional initiatives for our third-party brand products, which may place substantial strain on our managerial, operational and financial resources. There is no assurance that each new third-party brand product we secure and carry will be profitable. If we are unable to successfully source or commercialize third-party brand products, the growth of our business may be impeded and our financial condition and results of operations could be materially and adversely affected.

Third-party brand owners could early terminate our distribution rights with cause or refuse to renew our distributorship or in-licensing agreements upon expiration

We have grown and will continue to seek expansion of our business through, among other means, engagement of third-party brands. For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, sales of third-party brand products accounted for 21.0%, 24.9%, 28.1% and 27.6% of our revenue, respectively. We have entered into distributorship or in-licensing agreements with most third-party brand owners, under which we are granted the right to sell their selected products in the relevant geographic markets for an agreed term typically ranging from 3 to 15 years, subject to renewal. These agreements however generally provide that the brand owner may early terminate our distribution rights in the event of our failure to perform any of our obligations under the agreements and with prior written notice of one to three months. Poor sales performance in a certain geographic market may affect our ability to maintain the right to distribute the products in other authorized territories granted to us under the same agreement. If a third-party brand owner terminates its agreement with us for cause or otherwise, if we fail to renew the agreement upon expiration of a term, or if a third-party brand owner discontinues any of the products that are under distributorship or in-licensing arrangement with us, we will cease to sell the relevant products, and there is no assurance that we will be able to source other products of comparable or better quality or popularity, or on comparable or better commercial terms, or at all. The distribution rights of the relevant products may also fall into the hands of our competitors or a third-party brand owner may deem the engagement of brand operators like us to be redundant in light of the growing popularity of online retail and e-commerce, which provide a viable channel for direct sales by brand owners. If any of these events occurs, the sales of our existing or replacement products, our business, financial condition and results of operations could be materially and adversely affected.

The distribution rights granted to us by some of our third-party brand owners are non-exclusive in nature

The distribution rights granted to us by some of our third-party brand owners are non-exclusive in nature. For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, our sales of third-party brand products not under exclusive distribution arrangement accounted for 8.2%, 9.1%, 20.0% and 26.8% of our revenue from sales of third-party brand products, respectively. Without exclusive arrangements, third-party brand owners are not restricted from appointing other additional distributors for the distribution of their products in the territories where we engage sales and distribution of these products. In such circumstances, we may have to compete with additional distributors in the distribution of these third-party brand products, which may lead to a decrease in purchase orders placed by our customers if there is no corresponding increase in market demand for these products. Our revenue may decrease as a result, and our business, financial condition and results of operations may be adversely affected.

Defective products may expose us to liability and damage our reputation

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. Lawsuits could also divert management attention from the development and implementation of our business strategies. In addition, the brand image or reputation of us and our products could be harmed if our products are found or perceived to be defective, and any negative publicity drawn from such lawsuits and litigations. As a result, any of the forgoing could materially and adversely affect our business, financial position and results of operations.

Our insurance coverage may not completely cover the risks related to our business and operations

We maintain limited insurance coverage such as material damage insurance, product liability insurance, public liability insurance, marine cargo insurance, money insurance, motor insurance, employees' compensation insurance, employees' life insurance and loss of profit insurance. If any claims for injury or damages are brought against us, or if we experience any business disruption, litigation or natural disaster, we might incur substantial costs and diversion of resources, which may not be fully covered by insurance.

For example, we may face product liability claims on the grounds that the use of our products or third-party brand products distributed by us has resulted in their bodily injuries, property damage or other losses. While we maintain product liability insurances covering, among others, bodily injury, property damage, advertising injury, personal injury, financial injury that happens within specified territories in connection with our business, damages awarded in a product liability action could be substantial and may require us to pay significant monetary damages should our product liability insurance limit be inadequate. Furthermore, although we may have legal recourse against third-party brand owners, an attempt to enforce our rights against a third-party brand owner may be expensive, time-consuming and ultimately futile.

In addition, there are certain types of losses, such as from war, acts of terrorism and certain natural disasters, for which we cannot obtain insurance at a reasonable cost, or at all. Should an uninsured loss or a loss in excess of insured limits occur, we could suffer financial losses, as well as damage to our reputation, lose all or a portion of our production capacity, as well as future revenue anticipated to be derived from the manufacturing activities conducted at that property. Any material uninsured loss could have a material adverse effect on our business, financial position and results of operations.

Our brand-building efforts may not yield the desired results

A cornerstone of our success lies in our capability in brand management and marketing. For products that are new to a market, we employ a consumer-driven approach to analyze the landscape of the target market and end-consumer base to clarify our brand value proposition and formulate integrated branding strategies to increase sales and reinforce brand loyalty. Meanwhile, for our heritage household brands, we strive to rejuvenate their brand positioning to adapt to the changing demographics and consumer behaviors. Brand-building can be time-consuming, expensive and may divert attention away from our daily operations. We may not be able to successfully popularize a brand due to reasons beyond our control, including sufficient amount of retail demand for our products, correct brand positioning, or the popularity of competing brands and products. There is no assurance that any brand-building activities conducted by us will succeed or will be completed within the anticipated time frame or that the costs of such activities can be fully or partially recovered. If our brand-building activities do not yield the desired results, our business, financial position and results of operations could be materially and adversely affected.

Market receptiveness of proprietary Chinese medicines may change

For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, proprietary Chinese medicines accounted for 45.1%, 47.2%, 48.2% and 53.8% of our revenue, respectively. Popularity of and demand for proprietary Chinese medicines is therefore expected to have an impact on our continued business success. However, consumer preferences and demand may shift away from proprietary Chinese medicines for various reasons, including but not limited to:

- a change in consumers' belief that proprietary Chinese medicines may be effective in achieving their claimed benefits;
- a general change in consumer preferences for proprietary Chinese medicines as compared to other types of products that claim similar benefits, such as western medications; and
- negative scientific research, findings or publicity regarding proprietary Chinese medicines or other associated services.

We believe that the proprietary Chinese medicine market is highly dependent on consumer perception regarding the safety, efficacy, level of side effects and quality of proprietary Chinese medicines. Consumer perception of our proprietary Chinese medicines can be significantly influenced by scientific research or findings, media attention and other publicity regarding related Chinese medicine products. We cannot guarantee that future scientific research, findings or publicity will be favorable to any of our proprietary Chinese medicines, or consistent with existing research or findings which are favorable to our products. Future research reports, findings or publicity that are perceived as less favorable to our proprietary Chinese medicines could have a negative impact on the demand for our products, and consequently our business, financial condition and results of operations could be materially and adversely affected. Furthermore, scientific research reports, findings or publicity, whether or not accurate, may associate illness or other adverse effects with the consumption of Chinese medicine products in general or that of our products or any similar products distributed by other companies, question the safety, efficacy or benefits of our or similar products, or claim that any of such products are unsafe or ineffective. Negative publicity could also arise even if the adverse effects associated with a product resulted from consumers' failure to consume the product appropriately or as directed. Any such reports, findings or publicity may have a material adverse effect on the demand for our products and our business, financial condition and results of operation.

The registration and renewal of our branded medicines and proprietary Chinese medicines may be challenging in different markets

Product registration is required for certain of our products before they can be sold and supplied in Hong Kong, China and selected overseas markets. Such products include certain of our existing products, mainly branded medicines and proprietary Chinese medicines, and may include certain new products that we seek to commercialize in the future. The registration requirements for these products vary by jurisdiction. Complying with these product registration and product license requirements for the requisite existing and new products may require sophisticated facilities and significant initial investments and on-going costs. In addition, regulatory regimes and their implementations are becoming increasingly stringent and there is no assurance that we can continue to comply with such requirements.

In particular, the State Administration for Market Regulation and the NMPA have imposed certain requirements for the renewal of drug licenses. For example, the Measures for the Administration of Drug Registrations promulgated by the NMPA stipulates that a drug license cannot be renewed if the applicant (i) fails to apply for the renewal before the drug license expires; (ii) fails to continuously inspect the quality, efficacy and adverse reaction of the drug; (iii) fails to complete the research work required by the drug approval document and the drug regulatory authority within the prescribed time limit without reasonable reasons; or (iv) applies for renewal of drug license for a drug that is classified as having inaccurate curative effect, large adverse reaction or endangering human health due to other reasons in post-market evaluation. If the drug license holder files a supplementary application simultaneously with the renewal application, the renewal process could involve, for example, (i) new quality specifications for active ingredients and poisonous substances that require more quantitative analysis, and (ii) additional stability testing based on the quality specifications. Meeting these requirements may require the performance of additional quantitative analytical tests. As of July 31, 2020, we had two proprietary Chinese medicines (namely Puji Pills and Flying Eagle Woodlok Oil) registered with the NMPA, due to be expired on April 20, 2022 and January 14, 2024, respectively. There is no assurance on the successful or timely renewal of these licenses when we apply for renewal in the future. If we fail to successfully renew these registrations and licenses or if we experience significant delays in such renewals, our business, financial condition and results of operation could be materially and adversely affected.

Our e-commerce initiatives may not yield desired results

Consumer purchasing behavior has increasingly shifted away from offline to online. 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 and HKTVmall, and the implementation of our cross-border e-commerce initiatives. For further details, see the section headed "Business — Sales and Distribution." The growing popularity of online retail and e-commerce have changed consumer shopping behavior, facilitated the growth of new business models and eased the way for entrepreneurs and direct sales by brand owners, which brought new competitive pressure on businesses founded on traditional transaction models and created pressure on such businesses to change and adapt to a new business ecosystem. The e-commerce market in Hong Kong and China is highly competitive with a large number of online stores selling branded healthcare products. Some of our competitors may have been involved in the e-commerce channels longer than we have, more adequately staffed with employees with relevant experience and know-how and may have substantially more financial, marketing and other resources than we do. Competing online stores may also have higher visibility and heavier web traffic that can capture a wider customer base. If we fail to cater to or grow our business through the development of online retail and e-commerce and cannot compete effectively or cost-efficiently against current and future competitors, our market share may decrease and our results of operations may be adversely affected. Our ability to implement our e-commerce initiatives successfully will depend on a variety of factors, some of which are beyond our control, including changes in policy and regulations, weakening of general market conditions in the market segments in which we operate, popularity of the third-party e-commerce platforms among end consumers where we or our distributor operate our online stores, and ability of the e-commerce platforms, logistics service providers or third-party payment service providers we rely on for our cross-border e-commerce initiatives to maintain the requisite approvals or licenses as required by PRC laws and regulations. Our e-commerce initiatives may incur substantial efforts and divert the attention of our management from our business operations. In addition, they may not always be successful and may fail to yield the desired sales results, which could materially and adversely affect our profitability.

Our product development efforts may not result in the successful development and commercialization of new products

We believe that product development is key to maintain competitive product offerings, as well as to adapt to new and evolving consumer demands and regulatory requirements. The majority of our own brand products are OTC proprietary medicines and OTC proprietary Chinese medicines with long established proprietary formulations based on ancient prescriptions, pharmacopeia prescriptions or customary Chinese prescriptions. Tailored to the characteristics of our own brand product portfolio, we focus our product development efforts on product line extensions, formulation variations and formulation refinements for overseas markets and expansion into new markets, and our future growth and prospects are dependent on our ability to successfully develop our portfolio. However, our research and development efforts may not lead to successful outcomes due to reasons beyond our control, including failure to meet safety, efficacy or other standards and requirements during testing, or failure to obtain regulatory approvals in targeted geographical market on a timely basis or at all. The process of obtaining regulatory approval from the relevant government authorities in various markets can also be lengthy and expensive and the regulatory authorities may impose certain standards on safety, manufacturing, packaging and distribution of new products. Complying with such standards may be time-consuming and expensive and could result in difficulties and delays in obtaining regulatory approval and such approval may be subject to certain conditions or limitations, which could lower the profitability of the relevant products. There is no assurance that any product development activities conducted or commissioned by us will succeed or will be completed within the anticipated time frame or that the costs of such product development activities can be fully or partially recovered. Our product development activities may not yield products that can pass regulatory hurdles. Pursuit of some of our product development activities may require purchasing specialized equipment or other additional costs. If our product development activities do not result in the successful development of a new product extensions or varied or refined product formulations, we will need to write-off the relevant capitalized development costs relating to that product. Furthermore, there is no assurance that we will be able to successfully commercialize our self-developed products. If any of our self-developed products fails to achieve market acceptance after gaining regulatory approval, or if the market size and market demand for our self-developed products remain limited after product launch, our business, financial position and results of operations could be materially and adversely affected.

Failure to maintain the quality of our products could materially and adversely affect the level of market recognition of, and trust, in our products

We place great emphasis on product quality and adherence to stringent quality assurance and control measures. See the section headed "Business — Quality Management" for more details. Failure to maintain an effective quality assurance and control system may result in quality issues in our products, which could result in a decrease in demand for our products or product return or cancelation or loss of purchase orders from our customers. If we are unable to obtain or renew our quality standards certifications, we may suffer a decrease in market recognition of our products. In addition, in the event of allegations that any of our products have quality issues or severe adverse side effects or are otherwise harmful, we may need to recall our products from the market. For further details, see the section headed "Business — Sales and Distribution — Product Returns, Recalls and Warranties." Any negative publicity or adverse associations with our products, including with respect to their efficacy or side effects, may negatively affect our reputation. Furthermore, the discovery of severe side effects of products manufactured or sold by other companies may also dampen the sales of our products that have the same active ingredients. Any of the forgoing could materially and adversely affect our business, financial position and results of operations.

Failure to maintain stable relationships with our distributors and wholesalers may have a material adverse effect on our business, financial position and results of operations

We sell selected products through a third-party distributor, our Hong Kong Distributor, who then on-sells our products to their customers, mainly chain retailers and end consumers through third-party e-commerce platforms. Outside of Hong Kong, we generally engage one to two overseas distributors or wholesalers per country or region for the distribution of our selected products. For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, sales to distributors and wholesalers accounted for 13.8%, 20.2%, 15.3% and 12.2% of our revenue, respectively. Our relationships with our distributors and wholesalers depend on our ability to deliver on their purchase requests in a timely manner and in accordance with their pricing, quality and other requirements. To the extent that we cannot meet their requirements or effectively monitor their performance, we may damage or lose our relationships with these distributors and wholesalers. In cases where agreements with our distributors are terminated, we may need to incur additional costs to increase our sales and marketing footprint and we may need to look for appropriate alternative or replacement distributors or wholesalers to distribute and on-sell our products. Finding appropriate alternative distributors and wholesalers involves a significant investment of time and resources, and such replacements may not be as effective and capable in on-selling our products in their respective local regions, which in turn would reflect negatively in the demand and accordingly the volume of product purchases from us. As a result, our failure to maintain stable relationships with our distributors and wholesalers could have a material adverse effect on our business, financial position and results of operations.

We may be unable to effectively manage our network of distributors

We may not be able to manage the activities of our distributors, who are independent from us. Our distributors may fail to comply with or breach the terms of our distribution agreements, or engage in activities that, while not restricted by our agreed terms but nonetheless results in competing interests with us, including, among other things:

- failing to meet minimum sales targets;
- selling our products outside their designated territories or channels in violation of any requisite agreed terms;
- failing to provide proper training and other services to end customers;
- failing to adequately promote our products;
- selling products that compete with ours;
- failing to comply with regulatory requirements when selling our products; or
- violating applicable laws or otherwise engaging in illegal practices in relation to their sales and marketing of our products.

Identifying underperforming distributors and finding appropriate alternative distributors involve a significant investment of time and resources, and there is no assurance that replacement distributors will comply with the terms of our distribution agreements or generate satisfactory level of sales or refrain from engaging in activities that we consider as having competing interests with us. Failure to adequately manage our network of distributors could harm our corporate reputation and disrupt our sales and consequently have a material adverse effect on our revenue, profitability, business, financial position and results of operations.

The existence of products sold by trading companies or other sellers without proper authorization from us or the relevant brand owners in our markets may negatively affect our sales

We have exclusive distribution rights for most of the principal third-party brand products in the relevant markets as authorized by the brand owners. Nonetheless, some of our products are also available in the same market for various reasons beyond our control, such as the illegal importation from countries where market dynamics result in lower prices, from trading companies who have procured or imported such products without proper authorization from the brand owners, or from other sellers who have procured such products through e-commerce channels and re-sell them at lower prices. Any of these unauthorized sales may have quality or service issues that may give rise to negative publicity in respect of our products and consequently damage the reputation of our products in the market in general. In addition, such unauthorized sellers may sell the products at lower prices than us and exert pricing pressure on our sales. Regardless, sales of our products by unauthorized sellers in our markets could materially and adversely affect our business, financial condition and results of operations.

The actions of our distributors, wholesalers and trading company customers may adversely impact our business, financial condition and results of operations

We sell our products to distributors, wholesalers and trading companies, which then on-sell our products to their customers. We generally do not impose any control over their on-selling activities or their respective downstream customers and have limited control over the ultimate retail sales of our products. We only monitor the sales and inventory of our distributors, wholesalers and trading company customers by communicating with them regularly or reviewing the sales and inventory reports of our distributors and their sales targets, as applicable. We cannot guarantee that the downstream customers of our distributors, wholesalers and trading company customers will not compete with each other for market share in respect of our products. If any of them carries out actions which are inconsistent with our business strategy, it may affect our brand and reputation and consumers' perception of our products may also be tarnished, which may in turn hamper our sales and our business, financial condition and results of operations may be materially and adversely affected.

We may be negatively impacted by quality and supply issues with products sourced from third-party brands or manufactured by third-party manufacturers

For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, our five largest finished good suppliers (namely third-party brand owners and third-party manufacturers) accounted for 91.8%, 88.6%, 58.7% and 63.3% of our total purchases of finished goods, respectively. As we are not involved in the manufacture of third-party brand products and certain own brand products manufactured by third-party manufacturers, we cannot guarantee that there will not be any unexpected interruption of their supply of products to us or any increase in the manufacturing costs for any reason beyond our control or expectation, such as introduction of new regulatory requirements, import restrictions, loss of their certifications or licenses, power interruptions, fires or other events. If any of these events occurs, in particular to any of our major suppliers, this could result in disruption to our supply of products and generate negative publicity that could damage our reputation and cause consumers to switch to competing products, which could have a material adverse impact on our business operations and profitability.

In addition, we have limited control over the manufacturing process of third-party brand owners and third-party manufacturers, and we cannot guarantee that the products sourced from third-party brands or manufactured by third-party manufacturers are free from defects or other quality issues. The risks of such products not being produced in accordance with our manufacturing or product specifications, in the necessary volume or at the appropriate quality levels are higher than if we manufacture these products by ourselves. In addition, third-party brand owners and third-party manufacturers may fail to maintain the necessary licenses, permits and certificates to carry out the manufacture of our products, breach their obligations to manufacture and deliver our products on a timely basis, or fail to abide by the requisite manufacturing protocols or our quality control requirements. Quality issues related to products which our third-party manufacturers manufacture for third parties may also be imputed to the products they manufacture for us and adversely affect our reputation. We are also exposed to the risks of increased pricing for our outsourced manufacturing and that we may be unable to appoint or re-appoint third-party manufacturers in commercially acceptable terms. Any of the above situations could negatively impact our business operations, profitability and reputation.

We may encounter inadequate supply or oversupply if we fail to accurately project demand for our products

Our distributors and customers typically order our products on an order-by-order basis. We project demand for our products based on, among other things, our marketing plan, sales targets as agreed with our distributors (if any), our sales reports and our internal database of historical customer orders. We may fail to accurately forecast demand and coordinate our procurement and production to meet demand on a timely basis. If we underestimate demand, we may not have sufficient raw materials for manufacturing our own brand products or sufficient third-party brand products to meet the demand and capture the sales. If we overestimate such demand, we may purchase more raw materials or source more products than required, or we may have resolved and incurred substantial costs and efforts in developing new product extensions or varied or refined product formulations or expanding the production capacity for a product that will not provide the anticipated returns. Our inability to accurately predict market demand and to timely meet such demand could materially and adversely affect our business, financial position and results of operations.

If our products and inventories become obsolete, our business, financial position and results of operations will be materially and adversely affected

We believe that the consumer healthcare and proprietary Chinese medicine industries are both characterized by changes in technologies, constant enhancement of industry know-how and constant emergence of new products. Future technological improvements, rapid changes in industry standards and continual product developments may lead to the emergence of new or substitute products that compete directly or indirectly with our existing products. Consequently, this may affect the viability of our products and render our existing products obsolete. Our products and inventories, including our raw materials, packaging materials and finished goods, may also become obsolete as a result of adverse changes in demands and consumer preference or overstock due to overestimation of demand. Furthermore, as our health and wellness product portfolio grows, we may carry more products with shorter shelf lives. Thus, if we fail to respond to these changes by adjusting our product portfolio, procurement or production amount or manage our inventory effectively in a timely fashion, or if future products we carry do not achieve adequate market acceptance, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs. In addition, we may be required to lower sale prices in order to reduce inventory level, which may lead to lower gross margins. High inventory levels may also require us to commit substantial capital resources, preventing us from using that capital for other important purposes. Any of the above may materially and adversely affect our business, financial condition and results of operations.

We may have difficulty managing our manufacturing operations or our production capacity, and our manufacturing facilities are exposed to risks of substantial disruption

Our manufacturing operations are an important part of our business. For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, sales of our self-manufactured products accounted for 77.7%, 73.6%, 53.4% and 40.9% of our revenue, respectively. Any damage or malfunction to our manufacturing equipment may affect our ability to fulfill product orders. In addition, operation of our manufacturing equipment requires employees with experience, technical know-how and qualifications. Any failure to effectively manage our manufacturing operations due to loss of employees or otherwise could have a material adverse effect on our business, financial position and results of operations.

Management of production capacity is also critical to our manufacturing operations and results of operations. If our production capacity is insufficient for satisfying all sale orders, our customer relationships and reputation could be materially and adversely affected. If we do not have sufficient demand for our products, we may suffer under utilization of our capacity and accordingly higher average cost of production. We cannot guarantee that our forecasted or anticipated product demand will materialize. If our manufacturing facilities are underutilized, we may suffer a decrease in profitability and our results of operations could be materially and adversely affected.

Our manufacturing operations are also subject to a number of risks, such as fire, theft, machinery breakdowns, sub-standard performance of our manufacturing equipment, raw material contamination, natural disasters, power outages or water shortages. The occurrence of any of these may severely disrupt our manufacturing operations. Our manufacturing facilities may also be subject to repairs, upgrades, refurbishments or modifications from time to time which may require suspension in operations. For example, in conjunction with our Reorganization, we suspended the operation of one of our GMP-accredited manufacturing facilities in Tai Po, Hong Kong, which has been used principally for our production of Flying Eagle Woodlok Oil, and commenced renovation works in February 2020 for a planned expansion and upgrade. We have since completed the renovation works and received the updated manufacturer license and GMP certificate and have gradually resumed basic operations of the said facility from late September 2020. For further details, see the section headed "Business — Development and Manufacture of Own Brand Products — Manufacturing Facilities — Adjustment and upgrade of manufacturing facility." In addition, the operations of a manufacturing facility can be substantially interrupted due to a suspension or loss of licenses, certifications or permits, or changes in governmental planning for the land underlying these facilities and regulatory changes. If the operation of our manufacturing facilities is substantially disrupted, we may not be able to replace or repair the damaged equipment or facilities, or use a different facility to continue our production in a timely and cost-effective manner, or at all. As a result, we may fail to fulfill contractual obligations or meet market demands for our products, and our business, financial condition and results of operations could be adversely affected.

Failure to obtain a steady supply of raw materials and packaging materials of our required quality could materially and adversely affect our business, financial position and results of operations

For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, our five largest raw material or packaging material suppliers accounted for 72.9%, 66.4%, 67.3% and 78.3% of our total purchases of raw materials and packaging materials, respectively. There is no assurance that we will be able to maintain our relationships with our suppliers. In addition, to the extent that suppliers of our raw materials face quality issues, we may need to discard and write off any inventory from those suppliers. Meanwhile, importation of certain of our raw materials is subject to import approval, and there is no assurance that we will be able to obtain such approval. Failure to obtain the approval may limit our ability to access these raw materials. The supplies and prices of raw materials and packaging materials may also be impacted, which may affect our cost of sales. In particular, our proprietary Chinese medicines are made with natural ingredients, which originate from raw materials of a suitable quality whose properties are related to the regions and climatic conditions in which they are grown. In addition, there have been historical instances in the proprietary Chinese medicine industry of raw materials being adulterated or contaminated, causing harm to the persons consuming them. The quality, availability and prices of these natural ingredients are dependent on and are closely affected by weather conditions and other seasonal factors, which may have an impact on the yields of such natural ingredients each year.

Furthermore, notwithstanding our strict quality control system for the procurement of our raw materials and packaging materials, it cannot be assured that our suppliers will not inadvertently contaminate the raw materials or provide us with substandard raw materials or packaging materials that would adversely impact on the quality of our products. If we experience any quality or safety problems in relation to our raw materials, our reputation and business may suffer, which could materially and adversely affect our financial position and results of operations.

Any increase in the prices of raw materials and packaging materials may have a negative impact on our business and profitability

We are exposed to the risk of price increase in raw materials and packaging materials. For March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, our cost of raw materials and packaging materials accounted for 30.3%, 32.1%, 18.3% and 9.5% of our cost of sales, respectively. The availability and prices of raw materials and packaging materials required for the production of our products may be impacted by factors such as general market conditions, including increased demand or reduced supply of such materials within in a specific period, weather conditions and the occurrence of natural disasters, many of which are beyond our control. We may also be unable to respond to increases in the prices for raw materials and packaging materials, and unable to pass on such price increases to our customers due to competitive conditions or other reasons. Increases in the prices of raw materials and packaging materials could therefore result in lower margins for our products. In the event that we are unable to obtain supply of the raw materials and packaging materials necessary for the production of our products at commercially acceptable prices, we may be forced to reduce, suspend or cease production or sale of certain of our products, as a result of which our business operations and financial results could be adversely affected.

We are exposed to increases in compliance costs and uncertainties due to GMP and PIC/S GMP requirements

Our two manufacturing facilities for proprietary Chinese medicines in Tai Po, Hong Kong are GMP-accredited and our manufacturing facility for branded medicines is PIC/S GMP-accredited. We are required to comply with the respective standards when manufacturing products in these facilities, which contain minimum requirements for the quality controls used in manufacturing, processing, and packaging of a drug product. Complying with these standards is a costly, time-consuming and highly technical process. Furthermore, regulatory changes may require us to upgrade our facilities and modify our manufacturing process, resulting in increases in compliance costs. For example, since January 1, 2016, Hong Kong has started to adopt more stringent requirements under PIC/S GMP, which is applicable to new registration or renewal of our currently registered branded medicines manufactured in our PIC/S GMP-accredited facility. A determination that we are in violation of or not in compliance with GMP or PIC/S GMP standards or other regulations could lead to an interruption of our production output and the imposition of civil penalties, including fines, contractual damages, product recalls or product seizures and criminal sanctions. Any such instances may result in import bans, regulatory proceedings and criminal lawsuits, all of which will require us to devote significant resources and attention to address, and will materially and adversely affect our business, reputation, financial position and results of operations.

We are exposed to risks relating to commercial real estate rental market

Our headquarters and certain manufacturing facilities, among others, are situated on leased properties as set forth in the section headed "Business — Properties — Leased Properties." If we are unable to reach an agreement with our landlords for the renewal of these lease agreements upon their expiration on terms and conditions acceptable by us, we may have to relocate. Relocation involves a significant investment of time and resources and, in the case of manufacturing facilities, may lead to temporary suspension of production, which may result in material negative impact on our financial condition and results of operations.

Delays, losses or damages in delivery by logistics providers may adversely affect our reputation

We rely on a number of logistics providers for the transportation and delivery of products. The services provided by these logistics providers could be interrupted by various reasons beyond our control, such as poor handling provided by these logistics service providers, natural disasters, pandemics, adverse weather conditions, social unrest, labor strikes and mishandling of products. Any delays, losses or damages in delivery may result in loss of customers, sales and turnover, which may materially and adversely affect our reputation, business, financial condition and results of operations.

We may not be able to successfully identify, consummate and integrate future acquisitions

We have historically experienced significant growth through a series of strategic acquisitions and we intend to continue to pursue suitable opportunities in key markets. However, acquisition of any large target would require significant financial resources, resulting in significant cash outflow, increased debt financing, or all of the above. Acquisitions may also increase our indebtedness through existing indebtedness of the acquired company, which could significantly reduce or eliminate the headroom under existing bank loans or facilities and make it more difficult for us to incur additional indebtedness.

Acquisitions involve various risks, including:

- we may not be able to identify suitable targets or acquire companies on favorable terms;
- we compete with other companies that may have stronger financial positions and are therefore may not be able to win over them in acquisition of target product lines or companies;
- we may not be able to obtain the necessary financing, on favorable terms or at all, to finance any of our potential transactions;
- we may not be able to obtain the necessary regulatory approvals, including the approval of antitrust regulatory bodies, in any of the countries in which we may seek to consummate potential transactions;
- we may ultimately fail to complete a transaction after we announce that we plan to acquire a product line or a company;
- we may not succeed in integrating the acquired assets and businesses into our existing platform, or managing these assets and businesses to draw benefits and synergies from them;
- the acquired businesses or assets may not perform as expected or incur losses, or may subsequently be found to be over-valued;
- transactions may require significant management resources and divert attention away from our daily operations, result in the loss of key customers and personnel, and expose us to unanticipated liabilities; and
- we may be adversely affected by any negative publicity that is associated with the companies, businesses or products we have acquired or may acquire in the future.

Any of the above could materially and adversely affect our business, financial position and results of operations.

We recorded net current liabilities during the Track Record Period, and such positions may continue after the Listing

We recorded net current liabilities of HK$593.9 million and HK$668.6 million as of March 31, 2018 and 2019, respectively. These net current liabilities were primarily attributable to large trade and other payables and contract liabilities, in particular, amounts due to an intermediate holding company and fellow subsidiaries mainly for the payment for various acquisitions (including the brands of Tong Tai Chung Woodlok Oil and Ho Chai Kung) completed prior to the Track Record Period. Net current liabilities expose us to liquidity risk. Payment of trade and other payables, our capital expenditure plans and the repayment of our outstanding debt obligations as and when they become due will primarily depend on our ability to maintain adequate cash generated from operating activities and adequate external financing. In addition, if we encounter any liquidity issues in the future, we may curtail or defer our business expansion plans based on the availability of sufficient funds. If we continue to have net current liabilities in the future, our working capital for operations or business expansion plans could be limited and our business, financial position and results of operations could be materially and adversely affected.

We are exposed to risks relating to the recoverability of trade receivables

Trade receivables comprise the outstanding amounts due from our customers from the purchase of our products. Payment terms granted to our customers generally range from prepayment of partial deposits to credit terms of 108 days upon delivery depending on the product type and type and credit worthiness of the customers. As of March 31, 2018, 2019 and 2020 and July 31, 2020, trade receivables amounted to HK$37.9 million, HK$64.1 million, HK$72.1 million and HK$62.8 million, respectively.

For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, our average trade receivables turnover days were 46 days, 61 days, 65 days and 69 days, respectively. We incurred an impairment loss on trade receivables of HK$2.6 million in the year ended March 31, 2019 for a trading company customer with significant doubt on collection that was individually impaired. For further details of our trade receivables, see the section headed "Financial Information — Principal Consolidated Statements of Financial Position Items — Trade and Other Receivables." We cannot guarantee that we will be able to recover our trade receivables on a timely manner or in full. Any default or delay in payment by our customers or our failure to collect trade receivables from them may cause allowance for impairment loss on trade receivables to be made in the future. All of these may result in untimely and significant cash flow shortcomings in the future and adversely affect our cash position and results of operations.

The carrying amount of our intangible assets is substantial and is subject to potential impairment

We have a substantial amount of intangible assets. As of July 31, 2020, the carrying amount of our intangible assets was HK$864.5 million, which represented 60.6% of our total assets, while we had net assets attributable to equity shareholders of our Company of HK$848.2 million, as a result of which we reported net tangible liabilities attributable to equity shareholders of our Company of HK$16.3 million. Intangible assets consisted of HK$260.5 million of goodwill, HK$1.2 million of club memberships, HK$367.1 million of trade marks, HK$29.2 million of unpatented drugs, HK$189.8 million of customer relationship and HK$16.7 million of distribution rights as of July 31, 2020. In particular, goodwill, trade marks and customer relationship related to our historical acquisitions of certain cash-generating units, namely the business units of Ho Chai Kung (totaling HK$475.4 million), the Orizen Group (totaling HK$267.2 million), Po Chai Pills (totaling HK$61.7 million) and Tong Tai Chung (totaling HK$13.1 million). Distribution rights primarily related to the 15-year in-licensing arrangement with a European brand owner (HK$15.8 million) as described in the section headed "Business — Sourcing and Representation of Third-Party Brand Products — In-licensing."

Intangible assets are reviewed and tested for impairment either individually or at the cash-generating unit level in accordance with the relevant accounting standards. An impairment loss is recognized in profit or loss if the carrying amount of the intangible asset or the relevant cash-generating unit exceeds its recoverable amount. The recoverable amount of a cash-generating unit is determined by using cash flow projections of that cash-generating unit based on financial forecasts of three or five years prepared by our management, and involve substantial management judgements, estimates and assumptions. When making these forecasts and projections, our management would typically take into account our historical and forecast financial performance indicators, particularly revenue, cost of sales, advertising and promotion cost, staff costs and other expenses, which could be affected by general market conditions, our brand management and sales capabilities, cost of materials and labor, and other factors beyond our control. Consequently, any material decline in our actual performance may negatively impact our forecasts and projections (which we apply to determine the recoverable amounts of our intangible assets for impairment testing), which in turn may lead to a decline in our assessed recoverable amount to below the carrying amount of our intangible assets and result in impairment. These forecasts and projections may also be materially different from the actual results, and our periodic assessment on the impairment of our intangible assets may turn out to be inaccurate. During the Track Record Period, we did not record any impairment losses on our intangible assets. However, there is no guarantee that we will not incur impairment losses in the future. Any significant impairment losses could materially and adversely affect our profitability and result in net liabilities.

Potential increase in finance costs may impact our cash flows and profitability and burden our future financial performance

We incurred finance costs of HK$1.7 million, HK$1.4 million, HK$0.8 million and HK$3.1 million for the three years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively, which consisted of interest expense on borrowings and interest on lease liabilities. While we had fully repaid our bank loans as of July 31, 2020, we (i) obtained in November 2020 a secured banking facility of HK$250.0 million; and (ii) had lease liabilities of HK$12.5 million as of November 30, 2020, which may further increase as we have entered into agreements with Jacobson Pharma (on behalf of its subsidiaries) for the use of two manufacturing facilities mainly for the production of Po Chai Pills and Flying Eagle Woodlok Oil, and have entered into agreements with certain subsidiaries of Jacobson Pharma for the use of two warehousing facilities commencing December 1, 2020, as set forth in the section headed "Relationship with Jacobson Pharma — Independence from the Remaining Parent Group — Operational Independence — Manufacturing facilities." Accordingly, going forward we expect to incur finance costs substantially higher than those borne by us during the Track Record Period, which will inevitably exert increasing pressure on our ability to manage our liquidity effectively and require us to deliver sufficiently strong business performance to sustain our overall financial performance. Any significant negative change in the interest or credit environment or any failure in satisfactorily managing our liquidity and business performance therefore could materially and adversely affect our cash flows and profitability and cause a significant burden on our business, financial condition and results of operations.

We may need additional capital to meet our operating cash requirements, and financing may not be available on terms acceptable to us, or at all

We believe our current cash and cash equivalents will be sufficient to meet our anticipated cash needs for the next 12 months. We may, however, require additional cash resources to meet our continued operating cash requirements further in the future, such as to finance expansion of existing business or develop new businesses through business collaborations, licensing arrangements, other forms of organic growth or mergers and acquisitions. If the financial resources available to us after the Listing are insufficient to satisfy our cash requirements, we may seek additional funding through equity offerings and debt financings. It is uncertain whether financing will be available in amounts or on terms acceptable to us, if at all. If we were not able to obtain additional capital to meet our cash requirements in the future, our ability to expand may be constrained, and our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our interest income from a fellow subsidiary is non-recurring in nature

In accordance with the Jacobson Pharma Group's centralized treasury management policies, we provided and received advances to and from Jacobson Treasury which acted as the treasury center in managing the free cash flow, liquidity requirements and external financing within the Jacobson Pharma Group during the Track Record Period. During the Track Record Period, we recorded HK$1.1 million, HK$2.3 million, HK$5.8 million and nil for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively, in interest income in connection with the aforementioned amounts due from a fellow subsidiary of Jacobson Pharma. These amounts were non-recurring in nature and were discontinued as we have discontinued this centralized treasury management practice following completion of the Reorganization and therefore are not indicative of future results of operations.

Fluctuations in the changes in fair value of equity securities designated at fair value through other comprehensive income may affect our financial position

An investment in equity securities other than investments in subsidiaries and associates and joint ventures that is not held for trading purposes is initially recognized as investment at fair value through other comprehensive income ("**FVOCI**") (non-recycling). As subsequent changes in fair value are recognized in other comprehensive income, any significant decrease in fair value could result in a significant decrease in our reserves and net assets. Further details of our policies for such investments are set forth in Note 2(g) to our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus. We believe that equity investments at FVOCI are subject to the uncertainties of accounting estimates. HKFRS 13, fair value measurement categorizes fair value measurements into a three-level hierarchy: (i) level 1 valuations, namely fair value measured to unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

(ii) level 2 valuations, namely fair value measured observable inputs which fail to meet level 1, and not using significant unobservable inputs (namely inputs for which market data are not available); and (iii) level 3 valuations, namely fair value measured using significant unobservable inputs. As of March 31, 2018, 2019 and 2020 and July 31, 2020, equity securities designated at FVOCI (non-recycling) under HKFRS 9 amounted to nil, nil, HK$36.0 million (level 2 asset) and HK$36.0 million (level 2 asset), respectively.

We have conditionally adopted the Share Award Scheme effective from the Listing Date, which may lead to share-based compensation expenses that may negatively impact our profitability

We conditionally adopted the Share Award Scheme effective from the Listing Date to recognize and reward the contribution of eligible persons for our growth and development and to provide them with incentives in order to retain them for our continual operation, development and long-term growth and to attract suitable personnel for our further development. We therefore expect to incur expenses based on the fair value of share-based compensation measured at the date of grant under the Share Award Scheme, which will be recorded in our consolidated financial statements for the relevant future periods. Any significant share-based compensation expenses may result in a material and adverse impact on our results of operations. If new Shares are allotted and issued by our Company for the Share Award Scheme, it may have a dilutive impact on investors' investment. For further details, see "D. Share Award Scheme" in Appendix IV to this prospectus.

Our business depends on the continuing efforts of our executive directors and our key personnel

We believe that our success largely depends on the continued contributions, and our ability to retain the services, of our key personnel, including our executive Directors. Our executive Directors possess expertise and experience in our industry, operations and business that are difficult to replace. We also depend on other members of our management team, our product development personnel and other key personnel. Failure to retain our product development personnel could increase our product development costs, delay the product development process and reduce our efficiency to commercialize potential new products. Furthermore, pursuant to the requirements under the PIC/S GMP regime, we must have an authorized person, a production manager and a quality control manager that have been approved by the Pharmacy and Poisons (Manufacturers Licensing) Committee for our manufacturing facility for branded medicines to be able to manufacture. For more details, see the section headed "Business — Quality Management."

If one or more of our executive Directors or key personnel are unable or unwilling to continue in their present positions, and we are not able to find suitable replacements, our business may be severely disrupted and we may incur additional expenses to recruit and retain replacements. There are only a limited number of authorized persons and product development personnel in Hong Kong. In addition, if any of our executive Directors or key personnel leaves and joins a competitor or forms a competing company, we may lose some of our customers or other business partners, which could materially and adversely affect our business, financial position and results of operations. There is no assurance that the services of our executive Directors and our key personnel will continue to be available to us or that we will be able to replace any executive Director or key personnel with persons who have similar knowledge or experience. The loss of our executive Directors' or key personnel's services without suitable replacement or which is not covered or sufficiently covered by our insurance coverage would have a material adverse effect on our business, financial position and results of operations.

We are exposed to fluctuations in foreign currency exchanges rates

Our functional currency is Hong Kong dollar and a majority of our sales are made in Hong Kong dollars. We also sell our products in select overseas markets, including Southeast Asia, where payments are settled in U.S. dollars and we are therefore exposed to fluctuations in the exchanges rates of U.S. dollars and local currencies. We cannot guarantee that significant appreciation or depreciation of the local currencies against the U.S. dollar will not occur. Any substantial depreciation of local currencies may impact the local product prices and consumer demand for our products, which may materially and adversely impact our results of operation. In addition, we source third-party brand products mainly from Europe, procure certain raw materials for proprietary Chinese medicines from suppliers in China and engage select third-party manufacturers in China for the manufacturing of our own brand CCMG products. We pay Euros and Renminbi for a large amount of our purchases and are therefore exposed to fluctuations in the exchange rates of Euros and Renminbi. For further details of our exposure to currency risk and its sensitivity, see Note 27(D) to our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus. Accordingly, fluctuations in any of these foreign currencies against the Hong Kong dollar may affect our cost of sales and consequently our profit margin and our results of operations.

We are unable to prevent or detect all incidents of wrongdoings committed by our employees or other third parties

Employee wrongdoings at different operational levels could reduce the operational efficiency and business performance and may even result in violations of laws, third-party claims and regulatory actions against us causing reputational or financial damage to us. We cannot guarantee that all our employees will conduct their duties at all times in good faith and in a manner which is in full compliance with the laws and our policies. In addition, we have limited ability to thoroughly investigate the backgrounds of our business partners, such as third-party brand owners, suppliers, marketing and advertising agencies, distributors and landlords, or monitor their conduct. We are unable to prevent or detect all incidents of wrongdoings, including corruption, violations of relevant laws and regulations (such as non-compliance of building orders) or other improper conduct, committed by such third parties. If any of our employees or other third parties in which we have business dealings are engaged or alleged to have engaged in any such activities, our business, financial position, results of operations and reputation could be materially and adversely affected.

We may be exposed to infringement claims, which may lead to monetary damages, the forfeiture of intellectual property and disruptions to our business

In the course of developing new products, we may be unaware that some third parties have patented similar processes or obtained regulatory protection of similar products and, as a result, unknowingly infringe on some third-party proprietary or intellectual property rights. We may also enter into agreements with third parties to acquire or use their technologies or methods for the production of new products. We may be exposed to infringement claims by third parties in our business pursuits. We also purchase APIs, active substances or other raw materials from third parties for our manufacturing operations and undertake the sales and distribution of third-party brand products. If such APIs, active substances, raw materials or third-party brand products infringe on the intellectual property rights of other third parties, we could also be exposed to infringement claims. If we are subject to claims relating to infringement of intellectual property rights or wrongful use or disclosure of trade secrets, we would need to defend ourselves and could become involved in litigation. Even if we are successful in defending against these claims, litigation could result in substantial costs and divert the attention of our management from our business operations and may draw negative publicity or negatively impact our reputation and industry standing. If we fail to defend such claims, we may pay monetary damages or lose valuable intellectual property rights. Any of these could adversely affect our business, financial position and results of operations.

We may not be able to adequately protect our intellectual property rights and prevent the existence of counterfeit products on the market

Our success depends in part on our ability to protect our intellectual property rights. We rely primarily on trade marks, unpatented proprietary technologies, processes and know-how and other contractual provisions to protect our intellectual property rights. However, these may not be adequate to protect our rights to our existing products as well as those products under development.

Our third-party manufacturers or other third parties could imitate or use our intellectual property rights without authorization, or register our trade marks in jurisdictions where we have not done so, and policing such uses of intellectual property can be difficult, time consuming and expensive. In addition, when our employees leave our company, they may take with them certain trade secrets, know-how or other intellectual property. If they provide such information to a competitor, our business may be less competitive as a result. Our third-party manufacturers, competitors or other third parties may also independently develop proprietary technologies similar to ours, introduce counterfeits of our products, misappropriate our proprietary information or infringe on our brand names or trade marks. Counterfeit consumer healthcare products and proprietary Chinese medicines are generally sold at lower prices than their authentic counterparts due to their low manufacturing costs and may cause confusion to our customers because, in some cases, they have a very similar appearance and use very similar packaging as authentic consumer healthcare products or proprietary Chinese medicines. Although government authorities have generally been increasingly active in policing counterfeit consumer healthcare products or proprietary Chinese medicines, there is not yet an effective counterfeit regulation control and enforcement system for consumer healthcare products or proprietary Chinese medicines in any of our key markets. The proliferation of counterfeit consumer healthcare products and proprietary Chinese medicines has grown in recent years and may continue to grow in the future. Any increase in the sales and production of counterfeit products or the technological capabilities of the counterfeiters could negatively impact our business, financial position and results of operations. In addition, any misappropriation of our intellectual property rights may impair the pricing for our products and materially and adversely affect our brand and reputation. Our efforts to protect our intellectual property may not be adequate and we may not be able to identify any unauthorized use of our intellectual property or to take appropriate steps to enforce our rights on a timely basis. The resulting diversion of financial and management resources to enforce our intellectual property rights or the proliferation of counterfeit products could have a material adverse effect on our business, financial position and results of operations.

Our operations are subject to environmental regulations and may be exposed to liability and potential costs for environment compliance

We operate manufacturing facilities for the manufacture of certain of our branded medicines and proprietary Chinese medicines, which are subject to various environmental regulations in Hong Kong. These include regulations concerning the discharge of effluent water and general waste during our manufacturing processes and the controlled use, storage, handling and disposal of hazardous materials and chemicals. See the section headed "Regulatory Overview — Laws and Regulations Relating to Our Business Operations in Hong Kong." Any violation of these regulations may result in substantial fines, criminal sanctions, revocations of operating permits, shutdown of our facilities and obligations to take corrective measures. Furthermore, the cost of complying with current and future environmental protection laws, rules and regulations and the liabilities which may potentially arise from meeting various requirements may increase our costs significantly and lower our profitability.

Our internal control system may not fully protect us against various risks inherent in our business and financial reporting

Internal controls are essential to the integrity of our business and financial results. Effective internal control is necessary for us to produce reliable financial reports and prevent fraud. However, due to the inherent limitations in the design and implementation of any internal control system, we cannot guarantee that our internal control system will be able to identify, prevent and manage all risks arising from our business and financial reporting, or that we will be able to timely and effectively refine or enhance our internal control systems to adapt to evolving business and operational environments. Our management may need to invest significant time and we may incur additional costs if we identify any deficiency in the implementation of our internal control procedures. Failure to address such deficiency in a timely and effective manner may undermine the effectiveness of our internal control system and may cause investors to lose confidence in the reliability of our financial statements, which in turn may materially and adversely affect our business, financial position, results of operations and reputation.

Our information systems may experience failure or breakdown and cause interruptions to our business

We use our information systems in the daily operations of our business. Our information systems record various operational data, including but not limited to sales information, payment records as well as inventory records, which allow us to analyze our business performance, and make timely business and financial decisions. Any system setback or failure, or other damage from unforeseen events, which causes delays or interruptions to the input, retrieval and transmission of data, could disrupt our operations. We cannot guarantee that our information system recovery plan can effectively resolve all system failures, or that we will be able to restore our operational capacity in a timely manner to avoid disrupting our business. In addition, if the capacity of our information systems fail to meet the increasing needs of our expanding operations, our ability to expand may be constrained, or we may need to invest substantial financial and human resources to upgrade and expand our information systems capacity. The occurrence of any of these events could have a material adverse effect on our business, financial condition and results of operations.

We may be liable for our consumers' privacy being compromised which may materially and adversely affect our reputation and business

We collect, receive, store and process personal information and other data from users of our own online platform, GoSmart. For example, visitors may register for an account on GoSmart and we also collect our online consumers' personal details such as address for the delivery of products. In addition, our information technology system monitors visitors' activities on our webpages so as to collect certain data such as consumer preference. Our privacy policy is stated on GoSmart and our internal control procedure aims to ensure compliance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) or other applicable laws in relation to the proper collection, use and storage of the personal date we collected.

Despite our efforts to employ security features to safeguard user information, there is no guarantee that we can successfully keep our users free from inappropriate behavior, offensive contact or other acts of third parties that violate the privacy of our users. Similar to other providers of Internet content services and operators of Internet platforms, we are subject to risks of hacking. Unauthorized users may gain access to or control of other users' personal accounts and their personal data for malicious purposes. Any failure or perceived failure by us to (i) prevent our users' exposure to such infiltration and (ii) comply with our privacy policies, our privacy-related obligations to users or other third parties, or any privacy laws or regulations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or users' personal data, may result in governmental enforcement actions, litigation or public statements against us by our users, consumer advocacy groups or others, which could detrimentally affect our reputation, and materially and adversely affect our business.

Unexpected business interruptions resulting from epidemics, natural disasters, social unrests or terrorist acts could materially adversely affect our business, financial position and results of operations

An outbreak of COVID-19, avian influenza, severe acute respiratory syndrome or any communicable disease or epidemic, or increase in the severity of any such epidemic could, depending on their scale of outbreak, lead to serious disruption to business and general activities which could materially and adversely impact the national and local economies in our markets. Any of these incidents and episodes could have a severe impact on consumer sentiment and tourism, leading to a decline in retail sales of our products. In addition, such outbreaks and other unexpected business interruptions, such as natural disasters, social unrest or terrorist acts, especially in the places in which we, third-party brand owners, our suppliers or customers operate, may lead to quarantines, temporary closures of offices and manufacturing or other facilities, reduced economic activities, travel restrictions or the sickness or death of key personnel, which could cause material disruptions to our operations, and in turn, have a material adverse effect on our business, financial position and results of operations.

RISKS RELATING TO OUR GEOGRAPHIC MARKETS

We generate the majority of our revenue in Hong Kong and thus are susceptible to developments and the state of political environment in Hong Kong

Our operations are based in Hong Kong and we generate the majority of our revenue in Hong Kong. During the Track Record Period, sales in Hong Kong accounted for 81.1%, 76.0%, 74.9% and 87.7% of our revenue for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as a general economic and political conditions, social unrest, natural disasters, contagious disease outbreaks or terrorist attacks, if the local authorities adopt regulations that place additional restrictions or burdens on us or on our industry in general, or if import or export restrictions are imposed on Hong Kong by other countries, our overall business, financial position and results of operations may be materially and adversely affected. For example, in the second half of 2019 there had been a series of protests, strikes and social unrests, which impacted the willingness to spend of local residents in Hong Kong and tourist arrivals to Hong Kong, and in turn led to a prolonged market downturn and an adverse impact on the retail industries in Hong Kong. In addition, the COVID-19 situation has impacted Hong Kong in various aspects thus far. In an effort to contain the outbreak, the Hong Kong government has imposed travel restrictions and mandatory 14-day quarantine to people entering Hong Kong from other countries. The government has also implemented temporary compulsory closure of certain retail businesses and encouraged employers to make arrangements for their employees to work from home. If such social unrest or pandemic persists or if there is any deterioration in the economic, political and regulatory environment in Hong Kong, our business, financial position and results of operations may be materially and adversely affected.

Failure to comply with overseas regulatory requirements could materially and adversely affect our business, financial condition and results of operations

Our manufacturing facilities are required to have precise and reliable controls in line with Hong Kong, China, Macau and other applicable overseas regulations (depending on sales of our products to these jurisdictions). Such jurisdictions have imposed regulatory requirements and compliance obligations on manufacturers of branded medicines and proprietary Chinese medicines. For example, all facilities and manufacturing techniques used for the manufacture of certain branded medicines must be operated in conformity with these standards and manufacturing facilities may be subject to periodic announced and unannounced inspections by the Department of Health, the NMPA, the Macau Health Bureau and other regulatory authorities. Complying with such regulatory requirements and obligations may result in increased costs or delays in our manufacturing operations. Any determination that we have failed to comply with such regulatory requirements and obligations could result in the loss of relevant licenses to conduct manufacturing activities, which may halt or restrict operations at our manufacturing facilities or prohibit sales of our products to such relevant regions, which would have a material adverse effect on our business, financial position and results of operations.

Regional expansion may be costly, time consuming and difficult, and our entry into regional markets may expose us to certain risks

An increasing portion of our revenue may be generated from outbound sales in the longer run. For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, outbound sales accounted for 18.9%, 24.0%, 25.1% and 12.3% of our revenue, respectively. It is one of our business strategies to grow our business through expansion and further penetration in the Asia region. We intend to enter new geographical markets by cultivating new distributor relationships in select regions. In expanding our business geographically, we have entered and intend to continue to enter markets in which we have limited or no experience and in which our company may not be recognized. Our target countries may withhold approval for the sale of our products due to differences in regulatory standards or protectionist trade policies. We may be unable to attract a sufficient number of distributors or at all in such markets, and our selected distributors may not be suitable for selling our products. Furthermore, we may fail to anticipate competitive conditions in markets that are different from those in our home market. These competitive conditions may make it difficult or impossible for us to effectively operate in these markets. If our expansion efforts in existing and new markets are unsuccessful, our profitability and prospects will be materially and adversely affected.

In addition, we are exposed to other risks associated with businesses involving outbound markets, including but not limited to:

- compliance with foreign laws, regulatory requirements and local industry standards, in particular, those related to consumer healthcare and proprietary Chinese medicine products;
- poor financial condition, expertise and performance of local distributors in these regions;
- difficulty in collecting accounts receivable;
- exposure to increased litigation risks;
- social, political, regulatory and economic instabilities;
- imposition of restrictions on imports from the PRC or other trade barriers by overseas countries to which we export our products;
- unauthorized re-export of our products;
- unfamiliarity with local operating and market conditions;
- competition from local companies;
- potentially adverse tax consequences;
- inability to effectively enforce contractual or legal rights;
- environment, safety and labor regulatory compliance;
- unfamiliarity with overseas labor markets and difficulty in attracting local talents; and
- potential disputes and difficulty in managing relationships with local customers and distributors in these regions.

Any of the foregoing and other risks and uncertainties could adversely affect our sales and operations in these regions, which in turn could adversely affect our financial condition and results of operations.

PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiary's ability to distribute profits or restrict our overseas and cross-border investment activities and subject us to liability under PRC laws

In July 2014, the State Administration of Foreign Exchange ("**SAFE**") promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment Through Special Purpose Vehicles ("**SAFE Circular 37**"). SAFE Circular 37 requires PRC residents (including PRC individuals and PRC corporate entities as well as foreign individuals that are deemed as PRC residents for foreign exchange administration purpose) to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. SAFE Circular 37 is applicable to individuals or entities who are PRC residents and hold interest in us, if any.

Under SAFE Circular 37, PRC residents who make, or have prior to the implementation of SAFE Circular 37 made, direct or indirect investments in offshore special purpose vehicles (the "**SPVs**"), will be required to register such investments with SAFE or its local branches. In addition, any PRC resident who is a direct or indirect shareholder of an SPV, is required to update its filed registration with the local branch of SAFE with respect to that SPV, to reflect any material change. Moreover, any subsidiary of such SPV in China is required to urge the PRC resident shareholders to update their registration with the local branch of SAFE. If any PRC shareholder of such SPV fails to make the required registration or to update the previously filed registration, the subsidiary of such SPV in China may be prohibited from distributing its profits or the proceeds from any capital reduction, share transfer or liquidation to the SPV, and the SPV may also be prohibited from making additional capital contributions into its subsidiary in China. On February 13, 2015, SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment ("**SAFE Notice 13**"), which became effective on June 1, 2015. Under SAFE Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under SAFE Circular 37, will be filed with qualified banks instead of SAFE. The qualified banks will directly examine the applications and accept registrations under the supervision of SAFE.

There remains uncertainty as to the interpretation and implementation of the latest SAFE rules at a practical level. We are committed to complying with and to ensuring that our Shareholders who are subject to the regulations will comply with the relevant SAFE rules and regulations, however, due to the inherent uncertainty in the implementation of the regulatory requirements by PRC authorities, such registration might not be always practically available in all circumstances as prescribed in those regulations. We cannot provide any assurance that all PRC residents holding interest in us will comply with our request to make or obtain any applicable registrations or comply with other requirements under SAFE Circular 37 or other related rules. The failure or inability of the PRC residents holding interest in us to comply with the registration procedures set forth in these regulations may result in restrictions on the foreign exchange activities of our PRC subsidiary and may also subject the relevant PRC resident to penalties under the PRC foreign exchange administration regulations.

Changes in the economic, political, legal and social developments and conditions in China and policies adopted by the PRC government may materially and adversely affect our business, financial position and results of operations

China's economy differs from the economies of most developed countries in many respects, including structure, government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and balance of payments position. In recent years, the PRC government has implemented measures emphasizing market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a large portion of productive assets in China are still state-owned. The PRC government also continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that the PRC government will continue to pursue a consistent policy of economic reform.

Our business, financial position and results of operations could be materially and adversely impacted by changes in economic, political, legal and social developments and conditions in China and the policies adopted by the PRC government, such as changes in laws and regulations (or the interpretation thereof). Our financial position and results of operations could also be materially and adversely affected by changes in measures introduced to control inflation, changes in the rate or method of taxation, the imposition of additional restrictions on currency conversion, the imposition of additional import restrictions and other state-driven changes. Moreover, although the PRC economy has grown significantly in recent years, there is no assurance that the economy will continue to grow, or that its growth will be steady or occur in geographical regions or economic sectors from which we benefit. A downturn in China's economic growth or a decline in its economic condition may have a material adverse effect on our business, financial position and results of operations.

Uncertainties with respect to the PRC legal system could have a material adverse effect on our business, financial position and results of operations

The PRC legal system is a civil law system based on written statutes. Unlike in the common law system, prior court decisions may be cited for reference but have limited precedential value. As the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform, and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to us and could subject us to unexpected liabilities. For example, we may have to resort to administrative and court proceedings to enforce the legal protection that we enjoy either by law or contract. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into with our business partners, third-party brand owners, contract manufacturers, distributors, customers and suppliers. In addition, such uncertainties, including the inability to enforce our contracts, could have a material adverse effect on our business, financial position and results of operations.

Furthermore, intellectual property rights and confidentiality protections in China may not be as effective as in other countries. Accordingly, we cannot predict the effect of future developments in the PRC legal system, particularly with regard to the PRC consumer healthcare and proprietary Chinese medicine industries, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of our resources and management attention.

RISKS RELATING TO THE PUBLIC OFFER

Future sale of the Shares or major divestment of Shares by any substantial Shareholder may have an adverse effect on our Share price

Any future sale or availability of the Shares can have an adverse effect on the Share price. The sale of a significant amount of Shares in the public market after the Public Offer, or the perception that such sales may occur, could adversely affect the market price of Shares. Except as otherwise described in the section headed "Underwriting," there are no restrictions imposed on the Controlling Shareholders to dispose of their shareholdings. Any major disposal of Shares by any of the Controlling Shareholders after the expiry of six months after the Listing may cause the market price of our Shares to fall. Between the seventh and twelfth months after Listing, the Controlling Shareholders may not dispose of their Shares to the extent that would cause them to cease to be "controlling shareholders" under the Listing Rules. In addition, these disposals may make it more difficult for us to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our ability to raise capital.

The Share price may fluctuate, which could result in substantial losses for investors purchasing Shares

Following completion of the Public Offer, the market price of our Shares could be subject to significant fluctuations due to various external factors and events as a result of including, without limitation, the following factors, some of which are beyond our control:

- the liquidity of our Shares in the market;
- difference between our actual financial position or results of operations and those expected by investors and analysts;
- changes in securities analysts' estimates of our financial performance;
- investors' perceptions of our Group and the general investment environment;
- announcements by us of significant acquisitions, strategic alliances or joint ventures;
- negative publicity concerning us or the industry or market or product segment we are involved in;
- fluctuations in stock market prices and volume;
- changes in pricing policies adopted by us or our competitors;
- additions or departures of key personnel;
- involvement in litigation;
- any unexpected business interruptions;
- liability claims brought against us based on matters such as product liability;
- forced discontinued sale of our products;
- our ability to obtain or maintain regulatory licenses and approvals concerning our manufacturing activities and sales of our products;
- outbreak or resurgence of diseases that impact economic activities and conditions to a material degree; and
- general political, economic, financial, social development and stock market conditions.

In recent years, stock markets in general have experienced price and volume fluctuations, some of which were unrelated or did not fully correspond to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the market price of the Shares.

The interests of our Controlling Shareholders may differ from those of our other Shareholders

As of the Latest Practicable Date, Jacobson Pharma, through its wholly-owned subsidiary, JBM Group BVI, holds an indirect interest of approximately 85.0% in our Company. Immediately following the Spin-off, (i) our Company will be owned as to approximately 53.7% by JBM Group BVI and (ii) JBM Group BVI will continue to be wholly-owned by Jacobson Pharma. Mr. Sum is one of the founders of the Jacobson Pharma Group and is interested in, through Kingshill and Queenshill, an aggregate of approximately 58.9% of the Shares of Jacobson Pharma as of the Latest Practicable Date. Upon the Listing, each of Mr. Sum, Jacobson Pharma, JBM Group BVI, Kingshill, Queenshill, and Lincoln's Hill will be a Controlling Shareholder of our Company and our Company will remain as a subsidiary of Jacobson Pharma. Our Controlling Shareholders may be able to exercise substantial control or influence over our business by directly or indirectly voting at shareholders' meetings on matters that are significant to us and our other Shareholders. The interests of the Controlling Shareholders may not be the same as, and may differ from, the interests of our other Shareholders. Accordingly, the Controlling Shareholders may take action that favor their own interests over our interests or those of our other Shareholders.

We cannot guarantee when, if and in what form dividends will be paid in the future

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends will be formulated by our Board of Directors at their discretion and will be subject to our Shareholders' approval. The actual amount of any dividends to be declared or distributed will depend on various factors, including but not limited to our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits, our Articles of Association, any applicable laws and regulations, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, regulatory restrictions and any other factors determined by our Board of Directors from time to time to be relevant. As a result, we cannot guarantee when, if and in what form dividends will be paid in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See the section headed "Financial Information — Dividends" for further information.

Since there will be a gap of several days between closing of application lists and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins

The Offer Price of our Shares is HK$1.20. However, there will be a gap of several days between the closing of application lists and trading of our Offer Shares. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur before trading begins.

There has been no prior public market in Hong Kong for our Shares and their liquidity and market price may be volatile

Prior to the Spin-off, no public market existed for our Shares. The Offer Price to the public for our Shares has been agreed between us and the Underwriters, and the Offer Price may differ significantly from the market price of the Shares following the completion of the Spin-off. We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares. We cannot guarantee that an active and liquid trading market for our Shares will develop following the Spin-off or, if it does develop, that it will be sustained or that the market price for our Shares will not decline below the Offer Price. In addition, the trading price and trading volume of the Shares may be subject to significant volatility in responses to various factors, including, but not limited to:

- variations in our financial position and results of operations;
- changes in financial estimates by securities analysts;
- announcements and other publicity made by or concerning us or our competitors;
- regulatory developments affecting us, our customers or our competitors;
- developments in the consumer healthcare and proprietary Chinese medicine industries;
- investors' perception of us and of the investment environment in Asia, including Hong Kong and China;
- changes in pricing made by us or our competitors;
- acquisitions by us or our competitors;
- the depth and liquidity of the market for our Shares;
- addition or departure of our key personnel;
- release or expiry of lock-up or other transfer restrictions on our Shares;
- sales or perceived sales of additional Shares; and
- the general economy and other factors.

Moreover, it is possible that our Shares may be subject to changes in price not directly related to our performance.

New investors will incur immediate dilution and may experience further dilution

The Offer Price is higher than our audited net asset value attributable to equity shareholders of our Company per Share based on our issued share capital after the completion of this Public Offer. Furthermore, we have unaudited pro forma adjusted net tangible assets per Share in the amount of HK$0.01, which is arrived at after the adjustments and on the basis referred to in Appendix II to this prospectus. You will therefore experience immediate dilution if you invest in subscription for Offer Shares. In addition, in order to expand our business, we may consider offering and issuing additional Shares in the future. Investors of the Shares may experience further dilution in their interest if we issue additional Shares in the future at a price which is lower than the net asset value attributable to equity shareholders of our Company per Share.

Shareholders and investors may face difficulties in protecting their interests because our Company is incorporated under the laws of the Cayman Islands which may be different from the laws of Hong Kong or other jurisdictions

Our Company is incorporated in the Cayman Islands and our Company's affairs are governed by the Memorandum of Association, the Articles of Association, the Cayman Companies Act and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands law on protection of minorities is set forth in "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix III to this prospectus.

Certain facts, forecasts and other statistics with respect to Hong Kong, China and other countries, their economies and the consumer healthcare and proprietary Chinese medicine industries contained in this prospectus have not been independently verified

Facts, forecasts and other statistics in this prospectus relating to Hong Kong, China and other countries in their economies and the consumer healthcare and proprietary Chinese medicine industries have been derived from various sources. Such information has not been prepared or independently verified by us, the Sole Sponsor, the Sole Bookrunner, the Underwriters, any of our or their respective directors, officers, employees, agents, affiliates or advisors or any other party involved in the Public Offer, and therefore no representation is made as to the accuracy of such facts, forecasts and statistics contained in such official government publications. Due to the possibility of flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the facts and statistics herein may be inaccurate or may be incomparable to facts and statistics produced to the extent of other economies. Furthermore, we cannot guarantee that they are stated or compiled on the same basis or with the same degree of accuracy, as the case may be, in other publications or jurisdictions. Therefore, you should not rely unduly upon such facts and statistics contained in this prospectus.

The entire prospectus should be read carefully and any information contained in press articles, media or research reports regarding us, our business, our industry or the Public Offer not contained in this prospectus should not be relied upon

There may be certain coverage in the press or media regarding us, our business, our industry and the Public Offer. There has been, and subsequent to the date of this prospectus there may be, press or media coverage regarding us, our business, our industry and the Public Offer containing, among other matters, certain financial information, projections, valuations and other forward-looking information about us and the Public Offer. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information disseminated in the articles or media and that such information was not sourced from or authorized by us. We make no representation as to appropriateness, accuracy, completeness or reliability of any such information, publication or underlying assumptions. To the extent that any of the information in the media or publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, you should read the entire prospectus carefully and should make investment decisions about us on the basis of the information contained in this prospectus only and should not rely on any other information.

In preparation for the Listing, our Company has sought the following waiver from strict compliance with the relevant requirements under the Listing Rules:

Waiver in Respect of Partially Exempt Continuing Connected Transactions

We have entered into and expect to continue to engage in certain transactions after the Listing which will constitute partially exempt continuing connected transactions of our Company under Chapter 14A of the Listing Rules upon the Listing. Accordingly, our Company has applied to the Stock Exchange pursuant to Rule 14A.105 of the Listing Rules for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in relation to the transactions under the Logistics Services Agreement, the Manufacturing Services Agreement and the Overseas Sales Administrative Services Agreement. For details of the waiver, see the section headed "Connected Transactions — Waiver from Strict Compliance with the Listing Rules."

JACOBSON PHARMA DISTRIBUTION

On January 15, 2021, the Jacobson Pharma Board declared the Jacobson Pharma Distribution to the Qualifying Jacobson Pharma Shareholders, being registered holders of Jacobson Pharma Shares whose names appear on the register of members of Jacobson Pharma as of the Record Date.

Information on the Jacobson Pharma Distribution

The Jacobson Pharma Distribution will be satisfied wholly by way of a distribution in specie to the Qualifying Jacobson Pharma Shareholders of an aggregate of 241,777,625 Shares, representing approximately 28.5% of the entire issued share capital of our Company, in proportion to their shareholdings in Jacobson Pharma as of the Record Date. Pursuant to the Jacobson Pharma Distribution, the Qualifying Jacobson Pharma Shareholders will be entitled to one Share for every eight Jacobson Pharma Shares held as of the Record Date. Fractional entitlements of Qualifying Jacobson Pharma Shareholders to our Shares under the Jacobson Pharma Distribution will be disregarded and will instead be aggregated and sold on the market and the aggregate proceeds of such sale (net of expenses and taxes) will be retained for the benefit of Jacobson Pharma.

Condition to the Jacobson Pharma Distribution

The Jacobson Pharma Distribution is subject to the Public Offer becoming unconditional. If this condition is not satisfied, the Jacobson Pharma Distribution will not be made and the Spin-off will not take place. Conditions of the Public Offer are set out in the section headed "Structure of the Public Offer — Conditions of the Public Offer."

The Share certificates for our Shares are expected to be despatched to Qualifying Jacobson Pharma Shareholders on Thursday, February 4, 2021 and will only become valid if the Jacobson Pharma Distribution and the Public Offer become unconditional. One Share certificate will be issued to each Qualifying Jacobson Pharma Shareholder for the entitlement to the Shares, save for the Share certificates to be issued to HKSCC Nominees, which may be in such denominations as requested by HKSCC Nominees. Qualifying Jacobson Pharma Shareholders who hold Jacobson Pharma Shares through CCASS Clearing Participants or CCASS Custodian Participants will receive our Shares through their respective brokers or custodians who are CCASS Clearing Participants or CCASS Custodian Participants. If the Jacobson Pharma Distribution and the Public Offer do not become unconditional, dealings in our Shares on the Stock Exchange will not commence on Friday, February 5, 2021.

Non-Qualifying Jacobson Pharma Shareholders

The distribution of our Shares under the Jacobson Pharma Distribution to certain Jacobson Pharma Shareholders may be subject to laws of jurisdictions outside Hong Kong. The Jacobson Pharma Shareholders and Beneficial Jacobson Pharma Shareholders whose addresses registered in the register of members of Jacobson Pharma are in, or who are located or residing in jurisdictions other than Hong Kong should inform themselves about and observe all legal and regulatory requirements applicable to them. It is the responsibility of the Jacobson Pharma Shareholders and the Beneficial Jacobson Pharma Shareholders to satisfy themselves as to the full observance of the laws of the relevant jurisdictions applicable to them in connection with the Jacobson Pharma Distribution, including obtaining any governmental, exchange control or other consents which may be required, or compliance with any other necessary formalities and payment of any issue, transfer or other taxes due in such jurisdiction.

The Jacobson Pharma Overseas Shareholders and the Beneficial Jacobson Pharma Shareholders should consult their professional advisors if they are in any doubt as to the potential applicability of, or consequences under, any provision of law or regulation or judicial or regulatory decisions or interpretations in any jurisdiction, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the receipt, acquisition, retention, disposal or otherwise with respect to our Shares. It is emphasized that none of Jacobson Pharma, our Company, the Sole Sponsor, the Sole Bookrunner, the Underwriters, any of our or their respective directors, officers, employees, agents, representatives or advisers or any other person involved in the Spin-off accepts any responsibility in relation to the above.

The Non-Qualifying Jacobson Pharma Shareholders are those Jacobson Pharma Shareholders with registered addresses in, or the Jacobson Pharma Shareholders or Beneficial Jacobson Pharma Shareholders who are otherwise known by Jacobson Pharma to be residents of or located in, jurisdictions outside Hong Kong as of the Record Date and whom the Jacobson Pharma Board and the Board, based on enquiries made on their behalves and the legal advice provided by their legal advisors, consider it necessary or expedient to exclude them from receiving Shares pursuant to the Jacobson Pharma Distribution on account of the legal restrictions under the applicable laws of the relevant jurisdictions where the Jacobson Pharma Shareholders or Beneficial Jacobson Pharma Shareholders are resident or located in and/or the requirements of the relevant regulatory bodies or stock exchanges in those jurisdictions. The relevant Non-Qualifying Jacobson Pharma Shareholders will not receive any Shares.

Our Shares which the Non-Qualifying Jacobson Pharma Shareholders would otherwise receive pursuant to the Jacobson Pharma Distribution will be sold on their behalf on the market following the commencement of dealings in our Shares on the Stock Exchange. The aggregate proceeds of such sale (net of expenses and taxes) will be paid to the relevant Non-Qualifying Jacobson Pharma Shareholders (in proportion to their shareholdings in Jacobson Pharma as of the Record Date) in Hong Kong dollars in full satisfaction of the relevant Shares which they would otherwise receive pursuant to the Jacobson Pharma Distribution, provided that if the amount that a Non-Qualifying Jacobson Pharma Shareholder would be entitled to receive is less than HK$100, such sum will be retained for the benefit of Jacobson Pharma. Such payment of net proceeds to the Non-Qualifying Jacobson Pharma Shareholders is expected to be made on or around Monday, March 8, 2021.

As of the Latest Practicable Date, based on the information provided by Jacobson Pharma, there were two Jacobson Pharma Shareholders whose addresses as registered in the register of members of Jacobson Pharma were outside Hong Kong, namely in the BVI and the PRC.

Based on the legal advice received and, where relevant, taking into account the number of Jacobson Pharma Overseas Shareholders in the relevant jurisdictions as of the Latest Practicable Date and/or the number of Jacobson Pharma Shares they then held and assuming that the relevant legal requirements remain unchanged, it is expected that there are no Excluded Jurisdictions.

If there is any other jurisdiction outside Hong Kong which is not referred to above in which the address of any Jacobson Pharma Shareholder as shown in the register of members of Jacobson Pharma as of the Record Date is located or any Jacobson Pharma Shareholder or Beneficial Jacobson Pharma Shareholder as of the Record Date is otherwise known by Jacobson Pharma to be located or resident, and such Jacobson Pharma Shareholders should, in the view of the Jacobson Pharma Board and our Board having made the relevant enquiries and having considered the circumstances, be excluded from receiving our Shares pursuant to the Jacobson Pharma Distribution on the basis of the legal restrictions under the applicable laws of such jurisdiction or the requirements of the relevant regulatory bodies or stock exchanges in such jurisdiction, our Company will make an announcement.

None of Jacobson Pharma, our Company, the Sole Sponsor, the Sole Bookrunner and the Underwriters take any responsibility for the sale of such Shares or the payment of the net proceeds of the sale of such Shares to any such underlying Beneficial Jacobson Pharma Shareholder.

Each of Jacobson Pharma and our Company reserves the right, in its and our absolute discretion, to allow the participation of any Jacobson Pharma Shareholder or Beneficial Jacobson Pharma Shareholder in the Jacobson Pharma Distribution.

INFORMATION FOR THE JACOBSON PHARMA OVERSEAS SHAREHOLDERS

PRC Jacobson Pharma Overseas Shareholders

This prospectus is not registered with or filed with the CSRC. This prospectus shall not be construed as an advertisement or a public offering of Shares in the PRC. Neither this prospectus nor the allotted Shares will be delivered to any persons in the PRC except for the PRC Jacobson Pharma Overseas Shareholders whose registered addresses, as shown on the register of members of Jacobson Pharma, are in the PRC as of the Record Date. The delivery of this prospectus to such PRC Jacobson Pharma Overseas Shareholders is not and will not be conducted, and shall not be construed to be conducted through advertisement, public inducement or other disguised public manner.

It is the responsibility of each of the PRC Jacobson Pharma Overseas Shareholders who receives our Shares pursuant to the Jacobson Pharma Distribution to satisfy himself/herself/itself as to full compliance with the PRC laws to hold the Jacobson Pharma Shares currently held by him/her/it under PRC laws and as to full compliance with the PRC laws to be allotted Shares pursuant to the Spin-off.

Jacobson Pharma Overseas Shareholders in the BVI

No shares in our Company may be offered to any person in the BVI for purchase or subscription except under circumstances that will result in compliance with the rules concerning offering of such securities in the BVI and with the laws of the BVI. Accordingly, the Jacobson Pharma Distribution does not constitute and shall not be construed as an offer to the public in the BVI to purchase or subscribe for shares in our Company. The Shares shall not be received for the account or benefit of any person who is a resident of, or who is domiciled in, the BVI, other than a BVI Business Company (as defined under the BVI Business Companies Act (as amended)) incorporated in the BVI that is not resident in the BVI, nor to a custodian, nominee or trustee of any such person.

All Jacobson Pharma Overseas Shareholders

Neither the Shares nor this prospectus has been or will be registered under the securities laws of any jurisdiction. Accordingly, unless otherwise disclosed above, the Shares may not be offered, sold, pledged, taken up, resold, renounced, transferred or delivered, directly or indirectly, into or within any such jurisdiction, absent registration or qualification under the respective securities laws of such jurisdictions, or exemption from the registration or qualification requirements under applicable rules of such jurisdictions.

It is the responsibility of any person (including but not limited to any agent, custodian, nominee or trustee) outside Hong Kong wishing to receive or purchase, hold or dispose of, or deal in, the Shares or exercise any rights attaching to the Shares to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction, including obtaining any governmental or other consents and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith.

Jacobson Pharma Shareholders should note that they will not be required to pay or provide any consideration to Jacobson Pharma or us for any Shares received pursuant to the Jacobson Pharma Distribution. Receipt of our Shares by any person pursuant to the Jacobson Pharma Distribution will be deemed to constitute a representation and warranty from such person to our Company that these local laws and requirements have been fully complied with. For the avoidance of doubt, neither HKSCC or HKSCC Nominees will give, or be subject to, any of the representation and warranty. Such persons should consult their professional advisors if in doubt.

THE SPIN-OFF

On January 20, 2020, Jacobson Pharma announced that it proposes to spin-off and seek a separate listing of its branded healthcare business on the Main Board of the Stock Exchange. Immediately after completion of the Spin-off, the percentage shareholding of Jacobson Pharma in our Company will be diluted from approximately 85.0% as at the Latest Practicable Date to approximately 53.7% as a result of the Jacobson Pharma Distribution and the Public Offer. The reduction of Jacobson Pharma's shareholding interest in our Company following completion of the Spin-off does not constitute a notifiable transaction of Jacobson Pharma under the Listing Rules. Following completion of the Spin-off, the Remaining Parent Group will continue to operate the business of manufacturing, marketing and sale of generic drugs. For details of the retained business of the Remaining Parent Group, see the section headed "Relationship with Jacobson Pharma."

Reasons for and Benefits of the Spin-off

Jacobson Pharma and we consider that the Spin-off is in the interests of the Jacobson Pharma Group and the Jacobson Pharma Shareholders taken as a whole and the Spin-off will better position each of the Remaining Parent Group and our Group for further growth in their respective businesses and deliver clear benefits to both for the following reasons:

(i) *Liquidity and distinct investment venue:* Our Group's branded healthcare business and the Remaining Parent Group's generic drug business are distinct from each other in their respective market segmentation and growth path, and are generally assessed under different market sub-segments which enjoy different market valuations. The Spin-off provides the Remaining Parent Group and our Group each with a separate listing platform, not only allowing the investment market to separately value our Group and the Remaining Parent Group with their respective industry and growth benchmarks, but also providing investors with the flexibility of investing in either one or both of them, and our Shareholders with liquidity for our Shares on an open trading market to freely invest in and an avenue to realize their investment with a stand-alone market valuation.

(ii) *Independent valuation and unlocking value of our Group:* Prior to the Spin-off, our Group is embedded within the Jacobson Pharma Group without an independent market valuation for our Shares and could only share, on a theoretical basis, a portion of the market valuation of Jacobson Pharma attributed to us. More specifically, Jacobson Pharma had been trading at a market valuation between HK$2.1 billion to HK$3.7 billion since January 1, 2020 up to the Latest Practicable Date, attributing to us an implicit share of market valuation in the range of HK$401.1 million to HK$704.4 million based on our Group's share of profit contribution to the Jacobson Pharma Group for the year ended March 31, 2020. Our expected market capitalization upon completion of the Spin-off (i.e., our Listing), on the other hand, is HK$1,072.4 million which is well above the inferred range of market capitalization attributed to us. The Spin-off therefore facilitates an immediate positive value unlock for Jacobson Pharma and its shareholders.

(iii) *Entitlement to our Shares through a distribution in specie:* The Spin-off includes the Jacobson Pharma Distribution, pursuant to which the Qualifying Jacobson Pharma Shareholders will be entitled to one Share for every eight Jacobson Pharma Shares held as of the Record Date. The Spin-off will therefore result in an immediate, additional, liquid and realizable investment value being awarded to the Qualifying Shareholders.

(iv) *Enhanced strategic and management focus*: The nature of products offered under the Remaining Parent Group's generic drug business and our Group's branded healthcare business is different and as such the two businesses require different business plans and strategic and management focus. The Spin-off will enable our Group to focus on sustaining our competence and competitiveness in brand and marketing management, as well as creating values through product portfolio management, while the Remaining Parent Group will focus on strengthening its technical competence and in-licensing capabilities in pursuing first-to-file or first-to-market generic drugs. The Spin-off will allow the management of our Group and the Remaining Parent Group to better dedicate resources towards their distinct operating priorities and strategies, and focus on the unique opportunities and business collaborations in their respective markets for long-term growth and profitability of both businesses.

(v) *Creation of a more nimble company focusing on branded healthcare products*: Market demands and consumer preferences for branded healthcare products evolve rapidly. The Spin-off will allow our Group to become more focused and nimble with the ability to quickly focus on consumer-preferred branded healthcare products to meet the emerging needs of the market.

(vi) *Direct access to capital markets*: The Spin-off will result in an increased financial reporting transparency of our business and provide our Group with its own listing platform, hence a direct and independent access to the capital markets for debt and equity fund raising to support its business growth, identify strategic partners and also enhance its ability to capitalize on unique growth opportunities and to pursue potential merger and acquisitions with its own resources.

(vii) *Risk management*: In general, generic drugs and branded healthcare products have different risk management profiles and require different management skillsets and risk management systems. Challenges to the generic drug business are more related to regulatory compliance, quality control and pharmacovigilance monitoring, whereas for the branded healthcare business the potential challenges would be more related to issues on trade mark infringement, counterfeit products and effective brand management. The Spin-off will allow the separate management of the two companies to implement proper risk management tools and internal control procedures to safeguard their respective businesses and assets.

(viii) *Geographical segregation*: Over the years, it has been the Jacobson Pharma Group's strategy to enhance its portfolio of branded healthcare products by expanding its geographical reach, as well as accelerating its growth momentum in China and certain key markets in Asia. There is a solid demand from habitual end-users, especially from China and other Asian countries, for our branded healthcare products, owing to their proprietary or branded nature and associated customer loyalty. The Spin-off will enable our Group to devote more focus, effort and resources in capturing the demand from these habitual and brand-loyal customers, in particular with well-strategized brand promotions through both online and offline advertising and marketing campaigns. Synergies in terms of sharing of marketing campaigns, research findings and regulatory resources are also expected to be realized among various products and markets, while the branded healthcare business seeks to expand in its size, market share and geographical coverage.

ARRANGEMENTS RELATING TO THE SALE OF ODD LOTS OF OUR SHARES

Shareholders who wish to sell their odd lots of Shares received under the Jacobson Pharma Distribution should contact their own broker.

In addition, Jacobson Pharma has appointed China Galaxy International Securities (Hong Kong) Co., Limited (the "**Matching Service Agent**") to provide, on a best efforts basis, a service to match the sale and purchase of odd lots of Shares (the "**Matching Service**") during the period of 60 days commencing from (and including) the Listing Date (the "**Matching Period**").

The provision of the Matching Service to any holder of Shares received under the Jacobson Pharma Distribution is subject to satisfactory completion of the Matching Service Agent's requisite account opening procedures if such Shareholder does not have an existing equities trading account with the Matching Service Agent. Any Shareholder wishing to make use of the Matching Service during the Matching Period may contact Mr. Choy Ho Yin of China Galaxy International Securities (Hong Kong) Co., Limited at 20/F, Wing On Centre, 111 Connaught Road Central, Sheung Wan, Hong Kong or at telephone number (852) 3698 6820 during such period.

Holders of Shares received under the Jacobson Pharma Distribution should note that the successful matching of odd lots of Shares referred to above is not guaranteed and that in the event of successful matching, the relevant Shareholder will be charged the Matching Service Agent's standard brokerage fees. Shareholders are advised to consult their own professional advisors if they are in doubt about any of these arrangements.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group.

Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

INFORMATION ABOUT THE PUBLIC OFFER

This prospectus is published solely in connection with the Public Offer. For applicants under the Public Offer, this prospectus and the Application Forms set forth the terms and conditions of the Public Offer. Details of the structure of the Public Offer, including its conditions, are set forth in the section headed "Structure of the Public Offer," and the procedures for applying for Offer Shares are set forth in the section headed "How to Apply for the Offer Shares" and on the relevant Application Forms.

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set forth herein and therein. No person is authorized to give any information in connection with the Public Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Sole Bookrunner, the Underwriters, any of our or their respective directors, officers, employees, agents, affiliates or advisors or any other party involved in the Public Offer.

UNDERWRITING

The listing of our Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Underwriters under the terms of the Public Offer Underwriting Agreement. The obligations of the Underwriters under the Underwriting Agreement are subject to termination by the Sole Bookrunner (for itself and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Shares commences on the Stock Exchange. Such grounds are set forth in the section headed "Underwriting — Underwriting Arrangements and Expenses — Grounds for Termination."

Further information about the Underwriters and the underwriting arrangements is set forth in the section headed "Underwriting."

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring Offer Shares under the Public Offer will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he or she is aware of the restrictions on the offer and sale of the Offer Shares described in this prospectus. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offer and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Public Offer. No part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares to be listed on the Stock Exchange pursuant to this prospectus is refused before the expiration of three weeks from the date of the closing of the Public Offer or such longer period not exceeding six weeks as may, within the said three weeks, be notified to us by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

SHARES WILL BE ELIGIBLE FOR ADMISSION TO CCASS

Subject to the granting of the listing of, and permission to deal in, our Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interests.

HONG KONG BRANCH REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by our principal share registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong branch register of members will be maintained by our Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong. All of the Offer Shares will be registered on our Company's Hong Kong branch register of members in Hong Kong. Dealings in our Shares registered in our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Public Offer are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of or dealing in our Shares (or exercising any rights attached to them). None of us, the Sole Sponsor, the Sole Bookrunner, the Underwriters, any of our or their respective directors, officers, employees, agents, affiliates or advisors or any other party involved in the Public Offer accepts responsibility for any tax effects or liabilities of any person resulting from the subscription, purchase, holding or disposal of, or dealing in, our Shares (or the exercise of any rights attached to them).

COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in our Shares on the Stock Exchange are expected to commence on Friday, February 5, 2021. Our Shares will be traded in board lots of 2,000 Shares each. The stock code of our Shares is 2161.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail unless otherwise stated.

The English translation of PRC laws, regulations, governmental authorities, enterprises, natural persons or other entities and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. To the extent there is any inconsistency between the Chinese language and the English translation, the Chinese language shall prevail.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
WONG Yat Wai, Patrick (黃一偉)	Flat H, 51/F, Block 5 The Belcher's 89 Pok Fu Lam Road Pok Fu Lam Hong Kong	Chinese
Dr. CHU Ka Wing (朱家榮)	Flat A, 30/F, Block 5 Central Park 18 Hoi Ting Road Tai Kok Tsui Kowloon	Chinese
Non-executive Directors		
SUM Kwong Yip, Derek (岑廣業)	Flat A, 18/F, Block 3 The Leighton Hill 2B Broadwood Road Happy Valley Hong Kong	British
YIM Chun Leung (嚴振亮)	Flat A, 41/F Imperial Kennedy 68 Belcher's Street Kennedy Town Hong Kong	British
YEUNG Kwok Chun, Harry (楊國晉)	Block 8, 6/F, Flat E Villa Concerto Symphony Bay 530 Sai Sha Road Sai Kung New Territories Hong Kong	Chinese
Independent non-executive Directors		
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LUK Ting Lung, Alan (陸庭龍)	Flat A, 23/F, Block 18 Laguna City 5 Laguna Street Cha Kwo Ling Kowloon Hong Kong	Chinese

LAU Shut Lee, Tony (劉述理)	Flat F, 41/F, Block 5 The Belcher's 89 Pok Fu Lam Road Pok Fu Lam Hong Kong	Canadian

Further information about our Directors and other senior management members is set forth in the section headed "Directors and Senior Management."

PARTIES INVOLVED IN THE PUBLIC OFFER

Sole Sponsor	**China Galaxy International Securities (Hong Kong) Co., Limited** 20/F, Wing On Centre 111 Connaught Road Central Sheung Wan Hong Kong
Sole Bookrunner	**China Galaxy International Securities (Hong Kong) Co., Limited** 20/F, Wing On Centre 111 Connaught Road Central Sheung Wan Hong Kong
Joint Lead Managers *(in alphabetical order)*	**China Galaxy International Securities (Hong Kong) Co., Limited** 20/F, Wing On Centre 111 Connaught Road Central Sheung Wan Hong Kong **Cinda International Capital Limited** 45/F, Cosco Tower 183 Queen's Road Central Hong Kong **Eddid Securities and Futures Limited** 23/F, YF Life Tower 33 Lockhart Road Wan Chai, Hong Kong **Fosun Hani Securities Limited** Suite 2101-2105 21/F, Champion Tower 3 Garden Road Central, Hong Kong

HeungKong Securities Limited
Suite 622, Ocean Centre
Harbour City
Tsim Sha Tsui, Hong Kong

Maxa Capital Limited
Unit 1908, Harbour Center
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Southwest Securities (HK) Brokerage Limited
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33 Hysan Avenue
Causeway Bay, Hong Kong

TUS Corporate Finance Limited
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12 Queen's Road Central
Central, Hong Kong

Legal Advisors to our Company

As to Hong Kong law:
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38/F Jardine House
1 Connaught Place, Central
Hong Kong

As to Hong Kong law in relation to our business operations in Hong Kong:
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Barrister-at-law
Des Voeux Chambers
38/F Gloucester Tower
The Landmark
Central
Hong Kong

As to PRC law:
Commerce & Finance Law Offices
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China

As to Cayman Islands law:
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Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 1018, Tower B 500 Yunjin Road Shanghai, 200232 China
Receiving Bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

Registered Office	Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head Office and Principal Place of Business in Hong Kong	Unit 2303-07, 23/F, Tower 1, Millennium City 1 388 Kwun Tong Road Kwun Tong, Kowloon Hong Kong
Company's Website	**www.jbmhealthcare.com.hk** *(information contained on this website does not form part of this prospectus)*
Company Secretary	AU Man Yee, Teresa (歐敏兒) Flat B, 9/F, Block 2 Roca Centre, North Point, Hong Kong *HKICPA, AICPA*
Authorized Representatives	WONG Yat Wai, Patrick (黃一偉) Flat H, 51/F, Block 5 The Belcher's 89 Pok Fu Lam Road Pok Fu Lam Hong Kong Dr. CHU Ka Wing (朱家榮) Flat A, 30/F, Block 5 Central Park 18 Hoi Ting Road Tai Kok Tsui Kowloon
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Remuneration Committee	LUK Ting Lung, Alan *(Chairman)* YIM Chun Leung CHAN Kam Chiu, Simon LAU Shut Lee, Tony
Nomination Committee	SUM Kwong Yip, Derek *(Chairman)* LAU Shut Lee, Tony CHAN Kam Chiu, Simon LUK Ting Lung, Alan
Principal Share Registrar and Transfer Office	**Conyers Trust Company (Cayman) Limited** Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands

Hong Kong Share Registrar	**Tricor Investor Services Limited** Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Compliance Advisor	**TUS Corporate Finance Limited** 15/F, Shanghai Commercial Bank Tower 12 Queen's Road Central Central Hong Kong
Principal Bankers	**Chong Hing Bank Limited** Chong Hing Bank Centre 24 Des Voeux Road Central Central Hong Kong **Standard Chartered Bank (Hong Kong) Limited** Standard Chartered Bank Building 4-4A Des Voeux Road Central Central Hong Kong **The Hong Kong and Shanghai Banking Corporation Limited** HSBC Main Building 1 Queen's Road Central Central Hong Kong

The information and statistics set out in this section have been extracted, in part, from various official governmental and official publications and the Frost & Sullivan Report commissioned by us. We believe that these sources are appropriate sources for such information and statistics and reasonable care has been exercised by us in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information false or misleading. None of our Company, the Sole Sponsor, the Sole Bookrunner, the Underwriters and our or their respective directors, advisors and affiliates has independently verified such information and statistics. Accordingly, none of our Company, the Sole Sponsor, the Sole Bookrunner, the Underwriters and our or their respective directors, advisors and affiliates or any other party involved in the Public Offer makes any representation as to the accuracy of such information and statistics. Accordingly, the information should not be unduly relied upon. The Directors confirm that, to the best of their knowledge and belief, there has been no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have any material impact on the information in this section.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan to conduct market research and prepare a report on the branded healthcare market in Hong Kong and other select countries in Asia with the Public Offer. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York that offers industry research and market strategies. We were charged RMB950,000 by Frost & Sullivan in connection with its preparation of the report. Our payment of such fee is not contingent upon the results of its research and analysis.

In preparing the Frost & Sullivan Report, Frost & Sullivan conducted detailed primary research which involved in-depth telephone and face-to-face interviews with industry participants. Frost & Sullivan also conducted secondary research which involved reviewing annual reports, industry publications and data based on its own research database. Frost & Sullivan obtained the figures for various market size estimates from historical data analysis plotted against macroeconomic data, and considered related industry drivers. Its forecasting methodology integrates several forecasting techniques with its internal analytics of critical market elements investigated in connection with its market research work. These elements primarily include identification of market drivers and restraints and integration of expert opinions. In preparation of the Frost & Sullivan Report, Frost & Sullivan assumed: (i) the social, economic and political environment is expected to remain stable from 2020 to 2024; (ii) key industry drivers are expected to continue to affect the market from 2020 to 2024; and (iii) the COVID-19 outbreak is expected to exert short-term and long-term impact on the global economy.

BRANDED HEALTHCARE IN HONG KONG

The healthcare market in Hong Kong consists of pharmaceutical products and non-pharmaceutical products for the general health and wellness of consumers. In particular, pharmaceutical products are broadly divided into Chinese medicines and Western medicines as they are regulated under different Ordinances, and may be further categorized by means of sales as follows:

Western Medicines

1 Over-the-Counter	• Western medicines that can be sold without an advice from a registered pharmacist or doctor's prescription	• Primarily regulated under the Pharmacy and Poisons Ordinance • Includes: o Proprietary medicines o Generic medicines
2 Behind-the-Counter	• Western medicines that only be sold with the advice of a registered pharmacist	
3 Prescription-Only	• Western medicines that can only be sold according to a doctor's prescription	

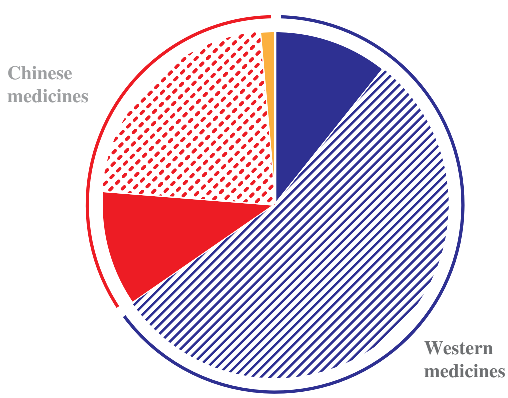
Chinese Medicines

1 Over-the-Counter	• Chinese medicines that can be sold over-the-counter at general retailers	• Primarily regulated under the Chinese Medicine Ordinance • Includes: o Proprietary Chinese medicines o Traditional Chinese herbal medicines
2 Licensed Premises	• Chinese medicines that can only be sold at licensed premises, such as Chinese herbal medicine retailers and Chinese medicine practitioner clinics	

Source: Frost & Sullivan Report

The following chart sets forth the Hong Kong pharmaceutical market by product categories in 2019:

Breakdown of Hong Kong Pharmaceutical Market by Product Categories, 2019



Product category	Market share
Western Medicines	
OTC Proprietary Medicines	10.7%
Other Proprietary Medicines	54.7%
Chinese Medicines	
Proprietary Chinese Medicines	10.9%
Traditional Chinese Herbal Medicines	23.7%
CCMG	1.4%
Other Traditional Chinese Herbal Medicines	22.3%

Source: Frost & Sullivan Report

Our Branded Healthcare Product Portfolio

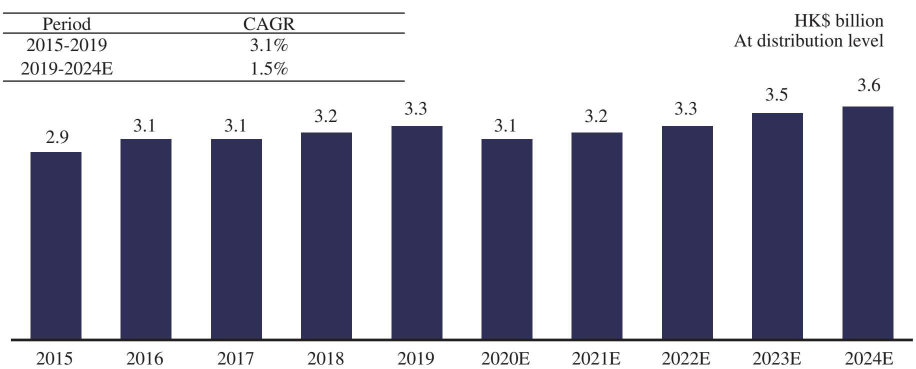
Our portfolio of branded healthcare products are broadly divided into two product categories, namely consumer healthcare and proprietary Chinese medicines. Our consumer healthcare products are further categorized into: (i) branded medicines (primarily OTC proprietary medicines, which fall within the classification of Western medicines in Hong Kong); and (ii) health and wellness products (which fall within the classification of non-pharmaceutical products in Hong Kong). Our proprietary Chinese medicines, on the other hand, consist of OTC proprietary Chinese medicines and CCMG products, which fall within the classification of Chinese medicines in Hong Kong.

Overview of Branded Medicines

Proprietary medicines refer to medicines carrying proprietary names which are mostly registered or recognized by brand names, trade marks or tradenames. They are mixtures of pharmaceutical ingredients with a certain composition and specific dosage form and dosage, prepared for dispensing to the public over-the-counter, behind-the-counter or with prescription only, and with a uniform name, packaging, container, and labeling approved for marketing by the regulatory authority. The Hong Kong proprietary medicine industry segment and our branded medicine business segment represent the same category of drugs. Our branded medicines are primarily distributed over-the-counter. The OTC proprietary medicine market in Hong Kong has increased gradually in recent years, which was mainly a result of rising health consciousness and higher outbound demand for OTC drugs. However, the market experienced a negative growth in 2020, which was mainly a result of the negative impact of the COVID-19 outbreak on the terminal sales channel. The following chart sets forth the sales value of OTC proprietary medicines at the distribution level in Hong Kong:

Market Size of Hong Kong OTC Proprietary Medicines, 2015-2024E

Period	CAGR
2015-2019	3.1%
2019-2024E	1.5%



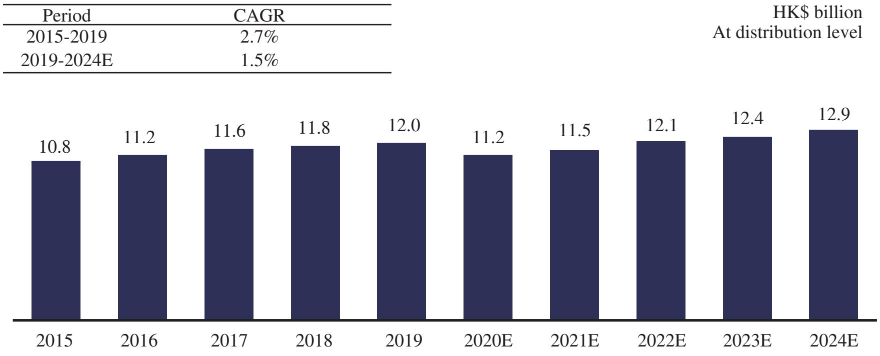
Source: Frost & Sullivan Report

Overview of Health and Wellness Products

Health and wellness products comprise supplements, medical consumables and other non-pharmaceutical products for the general health and wellness of consumers. The market of health and wellness products has increased gradually in recent years as consumers have become more heath conscious, coupled with increased resident income and improved living standard. However, the negative growth of the health and wellness market in Hong Kong in 2020 was primarily due to the negative impact of the COVID-19 outbreak. The following chart sets forth the sales value of health and wellness products at the distribution level in Hong Kong:

Market Size of Hong Kong Health and Wellness Products, 2015-2024E

Period	CAGR
2015-2019	2.7%
2019-2024E	1.5%

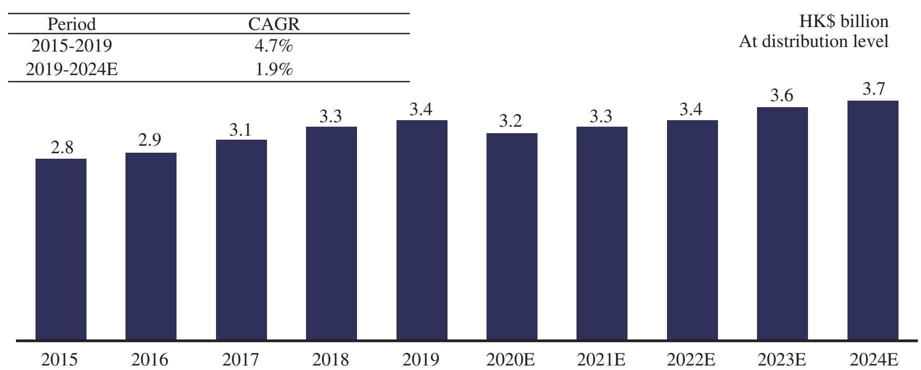


Source: Frost & Sullivan Report

Overview of Proprietary Chinese Medicines

Proprietary Chinese medicines comprise proprietary products (i) composed solely of (a) any Chinese herbal medicines specified in the Chinese Medicine Ordinance, or (b) any materials of herbal, animal or mineral origin customarily or widely used by the Chinese, or (c) any medicines and materials referred to in (a) and (b) respectively, as active ingredients; (ii) formulated in a finished dosage form; and (iii) known or claimed to be used for the diagnosis, treatment, prevention or alleviation of any disease or any symptom of a disease in human beings, or for the regulation of the functional states of the human body. Proprietary Chinese medicines have greatly developed over the past decades, primarily driven by improved health consciousness and favorable government policies. However, the market experienced negative growth in 2020 as a result of the negative impact of the COVID-19 outbreak in 2020. The following table sets forth the sales value of proprietary Chinese medicines (excluding CCMG products) at the distribution level in Hong Kong:

Market Size of Hong Kong Proprietary Chinese Medicines, 2015-2024E

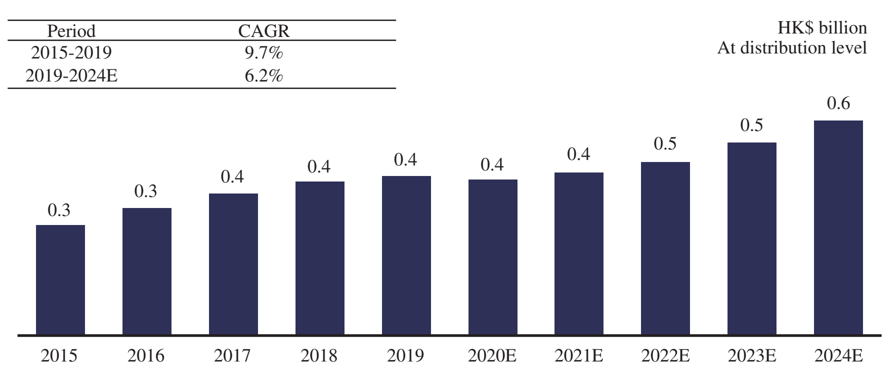


Source: Frost & Sullivan Report

CCMG products

The CCMG market in Hong Kong has grown steadily in the past five years. This growth was primarily due to the rising health awareness and the ease of use of CCMG products when compared to the decoction process of other traditional Chinese herbal medicines. Despite the negative impact of the COVID-19 on its market growth in 2020, the CCMG market in Hong Kong is projected to undergo fast growth in the future as a result of increasing customer acceptance, convenience of use compared to other traditional Chinese herbal medicines, and government initiatives to promote the use of CCMG products. The following table sets forth the sales value of CCMG products at the distribution level in Hong Kong:

Market Size of Hong Kong CCMG Products, 2015-2024E

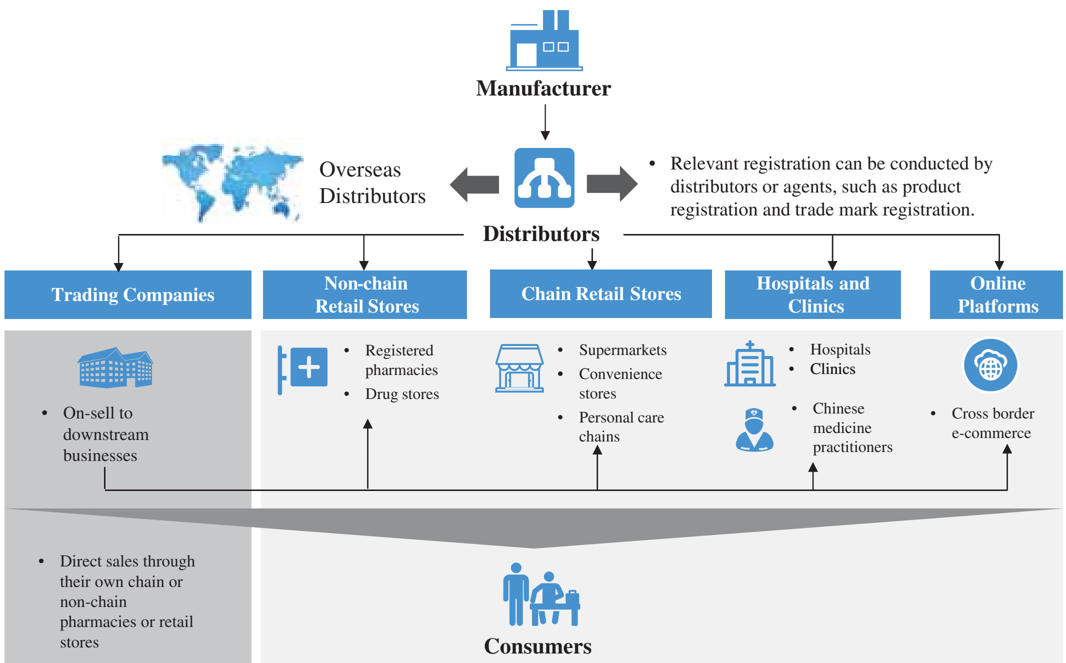


Source: Frost & Sullivan Report

Distribution Channels

Most branded healthcare companies adopt a multi-channel distribution strategy to reach a wider group of consumers. Major distribution channels for branded healthcare companies in Hong Kong include (i) trading companies; (ii) non-chain retail stores (such as registered pharmacies and drug stores); (iii) chain retail stores (such as supermarkets, convenience stores, personal care chains and drug store chains); (iv) hospitals, clinics and Chinese medicine practitioners; and (v) online platforms.

The following diagram illustrates the relationship among the stakeholders involved in the supply and manufacturing, distribution and consumption of branded healthcare products:



Source: Frost & Sullivan Report

The following table sets forth the major chain retailers in Hong Kong:

Retail chain	Type	Number of outlets (as of March 31, 2020)
7-Eleven	Convenience store	962
Circle K	Convenience store	336
Mannings	Health and beauty chain	303
Wellcome	Supermarket	280
Japan Home Centre	Supermarket	275
PARKnSHOP	Supermarket	258
Watsons	Health and beauty chain	181
Sa Sa Boutique	Beauty chain	104
CRVanguard	Supermarket	103
CRCare	Health chain	94
Beijing Tong Ren Tang	Health chain	85

Source: Frost & Sullivan Report

Market Drivers

The major market drivers of the Hong Kong branded healthcare market are as follows:

- *Rising health awareness*: Growing health awareness and emphasis on physical appearance, reinforced by branding and marketing activities that influence consumer behavior and encourage acceptance of new treatments, have resulted in an increased demand for branded healthcare products that address a wide spectrum of consumer needs, ranging from personal care, skincare, self-medication to home diagnostic products that are relatively more convenient, accessible and affordable. In addition to the rising health awareness, it is indicated that there is an increasing portion of people aged between 25 and 49 years old that use branded healthcare products in recent years.
- *Increasing living standards*: People are increasingly expecting and demanding personalized healthcare and willing to pay for branded healthcare products as living standards and disposable income increase. Per capita resident income increased from approximately HK$335,000 in 2015 to approximately HK$401,500 in 2019, representing a CAGR of 4.6%, and is expected to reach approximately HK$431,500 by 2024. The total healthcare expenditure (consisting of all expenditures or outlays for medical care, prevention, promotion, rehabilitation, community health activities, health administration and regulation and capital formation with the predominant objective of improving health) also grew at a CAGR of 6.8% from HK$146.8 billion in 2015 to HK$190.8 billion in 2019, and is expected to reach HK$261.0 billion by 2024.
- *Aging population*: The aged population in Hong Kong has increased in recent years. The number of people aged 65 years old or above, who are at a higher risk of encountering health problems, grew from 1.1 million in 2015 to 1.3 million in 2019, at a CAGR of 4.4%, and is expected to reach 1.6 million by 2024.
- *Higher outbound demand*: Economic growth in China and other regions has led to the escalation of cross-border trade, and may in turn continue to drive the increase in demand for branded healthcare products from Hong Kong, which are desirable for their high quality and relatively lower commodity tax.

Entry Barriers

The major entry barriers of the Hong Kong branded healthcare market are as follows:

- *Sourcing*: Established companies are prone to obtain distribution rights to high quality products from reputable local or overseas suppliers, due to their regional influence, proven track record of existing products and sufficient capacity to increase their portfolio.
- *Distribution channels*: Long-term and stable relationships with terminal sales channels are crucial to the successful distribution of products and takes time to establish. These may deter new players from entering the market.
- *Brand loyalty*: End consumers may prefer products that are distributed by companies that have an established reputation for carrying quality products with long heritage and high brand awareness, thereby discouraging new market entrants.
- *Product promotion*: Effective product promotion and marketing are crucial to the successful commercialization of a product. For example, endorsements from medical professionals or international authoritative institutions has significant influence over the consumer decision-making process to purchase. New entrants may be impeded due to lack of financial support, effective marketing approaches and ability to obtain such endorsements for their products.
- *Pricing*: Established companies with economies of scale may have better product price flexibility to sell their products at more competitive prices to discourage new market entrants.

Future Trends

The major future trends of the Hong Kong branded healthcare market are as follows:

- *Product customization and increasing prevalence*: Increasing health awareness has 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 customization is expected with respect to dosage form, packaging and flavor. The prevalence of branded healthcare products are also expected to increase. 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.

- *More concentrated market*: Emphasis on healthcare, pursuit of product quality, regulatory development and industry standardization have increasingly differentiated higher quality branded healthcare products from lower quality ones. In addition, healthcare providers have increasingly adopted marketing strategies that aim at informing and education the population on healthcare. These developments have in turn led to increased consumer knowledge and capability to identify quality branded healthcare products. Under-qualified companies and products may be weeded out of the market, resulting in a more concentrated market consisting of the remaining companies and quality products driven by trusted brand images.

- *Diversification of distribution channels*: Distribution channels have diversified from traditional wholesalers and retailers to (i) chain stores for a more stable and greater scale of distribution of products; and (ii) e-commerce platforms that increase product accessibility. Going forward, new distribution models are expected to be adopted, such as online-to-offline commerce designed to draw potential customers from online channels to make purchases in physical stores.

- *Overseas markets and products*: 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. 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 favor 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 Guangdong-Hong Kong-Macau Greater Bay Area as a result of its improving regulatory environment, robust purchasing power and high education level.

Competitive Landscape

The branded healthcare market is highly fragmented with a large number of players due to a wide range of product offerings. We primarily compete with brand operators that generally provide a series of value-added services, such as registration, promotion, commercialization or sales, to its own brand products or third-party brand products. The competitive landscape of brand operators in Hong Kong is relatively diversified and include both manufacturers and trading companies.

The following table sets forth the top five Hong Kong-based brand operators that carry both OTC proprietary medicines and OTC proprietary Chinese medicines, in terms of revenue, in 2019:

Rank	Company	Background	Market share
1	Company A	A distributor with a focus on OTC and non-OTC pharmaceuticals, health and wellness products and medical devices with capillary distribution network in Hong Kong reaching into chain and independent pharmacies, convenience stores, supermarkets and hypermarkets.	8.1%
2	Company B	An agent and distributor for pharmaceutical companies that handles the marketing and distribution of OTC products	5.8%
3	Company C	A pharmaceutical company known for its own OTC brand	4.7%
4	Our Group		4.2%
5	Company D	A pharmaceutical company that carries medicines and ointments under its own brand and other third-party brand products	3.3%
			26.1%

Source: Frost & Sullivan Report

The major competitive factors are as follows:

- *Product offering*: Product offering, in terms of source of products, product variety and market needs, is an important selection criteria for customers. They tend to take into account brand name, reputation, popularity and quality of the products during the procurement process. It is important to source or develop a wide variety of products that are safe, effective and of high quality from time-honored and trusted brands and offer products in conformity with market trends to meet the prevailing demand of consumers.

- *Brand management and marketing*: Companies with effective brand management and marketing strategies may drive high brand engagement and sales through successful marketing campaigns, enhance consumers' loyalty and thereby preferred by retailers and non-retailers over other competitors.

- *Sales and distribution network*: The size of a sales and distribution network represents the potential product turnover rate. Companies that have established large sales and distribution networks are likely able to sell their products at a faster rate through a higher number of point of sales.

- *Supply stability*: Most retail and non-retail customers value the stability of supply of products since it affects the availability of products being on-sold to their customers. Companies that are able to guarantee stable supply and replenish the products in time before they are out of stock are preferred.

HEALTH AND WELLNESS IN ASIA

We aspire to develop into a branded healthcare product sourcing and distribution platform in Asia. The following table sets forth the health and wellness market size in certain strategically selected countries or regions in which we plan to increase our presence:

	2015	2019	2024E	CAGR 2015-2019	CAGR 2019-2024E
		HK$ in billions		%	
China(1)	698	1,082	1,900	11.6	11.9
South Korea	33	41	48	5.6	3.0
Taiwan	20	23	23	3.3	0.5
Malaysia	5	6	7	5.6	3.6
Singapore	2	3	3	6.0	0.6

Note:

(1) Excluding Hong Kong, Macau and Taiwan.

Source: Frost & Sullivan Report

- *China*: The general health and wellness market in China is one of the largest components of its national economy. Demand for health and wellness products is expected to continue to increase as the proportion of elderly citizens increases. The percentage of population aged 65 or above reached 12.6% in 2019 and is forecasted to reach 16.0% by 2024.

- *South Korea*: The health and wellness market in South Korea grew from 2015 to 2019 as its government exhibited robust willingness to develop of the healthcare industry and to improve the general well-being of South Koreans in recent years. In addition, there is an increasing trend of self-medication practice in South Korea. Together, these factors are expected to drive the continued growth of the health and wellness market going forward, despite the COVID-19 outbreak.

- *Taiwan*: Taiwan is a prominent player in the Asian health and wellness market and has been actively involved in the global market. It is renowned for its well-regulated and mature healthcare industry conforming to international standards. The government of Taiwan has been steadily supporting the development of the health and wellness industry in Taiwan for years. As a result of the foregoing, the health and wellness market in Taiwan grew steadily from 2015 to 2019 and is projected to continue to grow in the future, despite the COVID-19 outbreak.

- *Malaysia*: Malaysia has relatively high healthcare standards when compared to other Southeast Asian countries, and offers significant growth opportunities for healthcare companies. Despite the negative impact of COVID-19, the health and wellness market is expected to benefit from the steady growth of the healthcare industry in Southeast Asia and grow at a CAGR of 3.2% to reach HK$77.7 billion by 2024.

- *Singapore*: Singapore is becoming a new hub for health and wellness products and daily healthcare necessities as residents place more emphasis on personal health and healthy life styles. Its health and wellness market is forecasted to continue to grow steadily in the future, despite the adverse impact of COVID-19 on the market growth in 2020.

Cross-border E-commerce Market in China

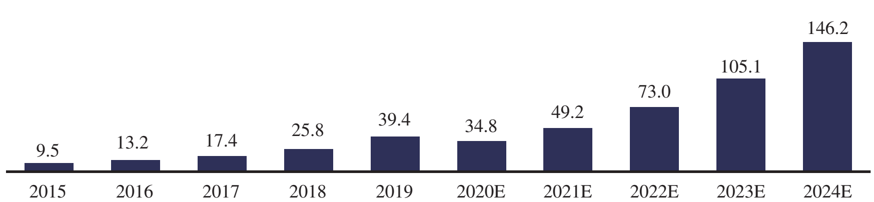
The e-commerce market in China has been growing rapidly and is one of the country's major sales channels. An increasing number of PRC consumers has switched to online consumption as they can purchase a wide range of products at the same site.

In particular, local demand for overseas healthcare products have increased in recent years as a result of the pursuit of quality products, increasing healthcare awareness and aging population. The PRC government has enacted favorable policies since 2012 to stimulate the cross-border e-commerce market, which allows multinational companies to sell overseas products directly to PRC consumers without engaging local dealers. Specifically, pilot cities for cross-border e-commerce that allow bonded imports via online shopping were set up in all 31 first-level administrative regions in China to further stimulate the cross-border e-commerce market. Furthermore, the Notice on Improving Supervision over Cross-border E-commerce Retail Imports (《關於完善跨境電子商務零售進口監管有關工作的通知》) that came into effect on January 1, 2019 permits sellers outside China to sell goods, including selected branded healthcare products, that fall within the List of Imported Goods in Cross-border E-commerce Retail directly to PRC consumers through certain registered e-commerce platforms. The following chart sets forth the gross merchandise volume of cross-border e-commerce market from Hong Kong to China at the distribution level:

Gross Merchandise Volume of Cross Border E-commerce Market from Hong Kong to China, 2015-2024E

Period	CAGR
2015-2019	42.7%
2019-2024E	30.0%

HK$ billion
At distribution level



Source: Frost & Sullivan Report

The following chart sets forth the key players in the cross-border e-commerce business:

Source: Frost & Sullivan Report

Future trends

Going forward, cross-border e-commerce for healthcare products is expected to continue to increase. The major future trends are as follows:

- *More cross-border e-commerce pilot zones*: 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.

- *Involvement of multinational companies*: Current cross-border e-commerce landscape primarily consists of small to mid-sized manufacturers of over-the-counter drugs and health and wellness products. In the future, an increasing number of multinational companies are expected to distribute their products through cross-border e-commerce platforms to take advantage of the favorable PRC tax policies and lower cost of distribution with the need of local dealers negated.

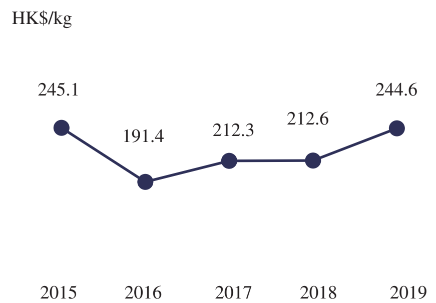
- *Emerging sales method*: Online sales methods are constantly evolving. For example, internet celebrities with massive fan bases (or "wang hong" in Chinese) have upended traditional retailing by driving online sales, increasing the frequency among manufacturers, retailers and consumers with big data application, and significantly improving the efficiency of retailing.

- *Increased adhesiveness of consumers*: Various factors including the pursuit of higher life quality, increasing health awareness and comprehensiveness of the regulatory framework for cross-border e-commerce will continue to reinforce user stickiness to and improve the credibility of cross-border e-commerce platforms.

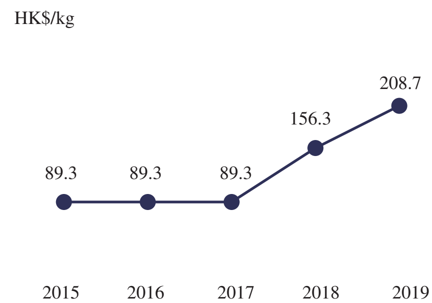
HISTORICAL PRICE TRENDS OF RAW MATERIALS AND FINAL PRODUCTS

We manufacture various branded medicines and proprietary Chinese medicines with a wide variety of raw materials and packaging materials. Our key raw materials include menthol, paracetamol and Cang Zhu (or Black Atractylodes Rhizome) and one of our key packaging materials is paper. From 2015 to 2019, the average price of our key raw materials and packaging material generally increased. This increase was primarily due to the increased market demand for these raw materials and packaging material (which are commonly used in the production of many well-selling products in the market) driven by the increased consumer demand for healthcare products as a result of rising health consciousness. The following charts illustrate the historical prices for menthol, paracetamol, Cang Zhu and paper from 2015 to 2019:

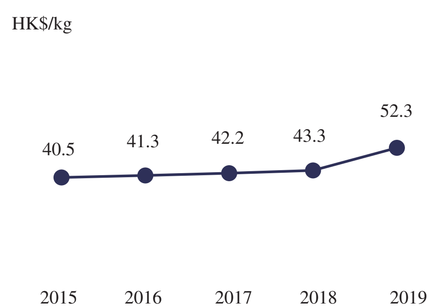
Historical average price of menthol, 2015-2019



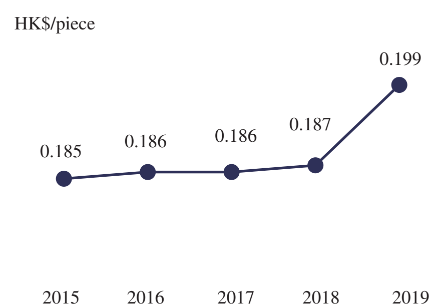
Historical average price of Cang Zhu (or Black Atractylodes Rhizome), 2015-2019



Historical average price of paracetamol, 2015-2019



Historical average price of paper for packaging, 2015-2019



Source: Frost & Sullivan Report

POTENTIAL MARKET IMPACT FROM THE OUTBREAK OF COVID-19

The COVID-19 outbreak has impacted the branded healthcare market in Hong Kong in various aspects. In particular, various social-distancing measures, travel restrictions and mandatory quarantine requirements implemented from time to time in an effort to contain the outbreak have caused a decline in local economic activities. For example, the temporary compulsory closure of certain retail businesses imposed by the Hong Kong government, coupled with consumers' efforts to avoid outdoor activities to minimize the risk of infection, have in general weakened consumer sentiment, shifted consumers' shopping habits to online e-commerce portals and increased market demand for personal hygiene products, such as antiseptic hand rubs, cleaning wipes, medical supplies and face masks. In addition, the COVID-19 outbreak has caused the number of tourists, business travelers and visitors to decline, which in turn reduced the overall purchase power and adversely impacted retail spending in Hong Kong.

In the long term, according to the Frost & Sullivan Report, 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 utilization of certain proprietary Chinese medicines in the treatment of COVID-19. With the on-going 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, according to the Frost & Sullivan Report.

This section sets forth a summary of the principal Hong Kong laws and regulations governing our operations in Hong Kong and the principal PRC laws and regulations relevant to the sale of our products to or in China.

LAWS AND REGULATIONS RELATING TO OUR BUSINESS OPERATIONS IN HONG KONG

Sale of Goods Ordinance

The Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) provides, inter alia, that where a seller sells goods in the course of a business, there is an implied condition that (i) where the goods are purchased by description, the goods must correspond with the description; (ii) the goods supplied are of merchantable quality; and (iii) the goods must be fit for the purpose for which they are purchased. Otherwise, a buyer has the right to reject defective goods unless he or she has a reasonable opportunity to examine the goods.

Pharmacy and Poisons Ordinance and Pharmacy and Poisons Regulations

The Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong) governs the manufacture, labeling, distribution, dispensing, supply, wholesale and retail sale, possession and import and export of pharmaceutical products or medicines in Hong Kong. Under the said ordinance, “pharmaceutical product” is defined as any substance or combination of substances (i) presented as having properties for treating or preventing disease in human beings or animals; or (ii) that may be used in, or administered to, human beings or animals, either with a view to (a) restoring, correcting or modifying physiological functions by exerting a pharmacological, immunological or metabolic action; or (b) making a medical diagnosis.

Manufacture of pharmaceutical products

Pursuant to the Pharmacy and Poisons Regulations (Chapter 138A of the Laws of Hong Kong), a person must not manufacture any pharmaceutical product on any premises unless he is the holder of a license to manufacture pharmaceutical products on those premises, and the licensing of a manufacturer may be certified by a certificate for manufacturer issued. Furthermore, requirements as to supervision by a registered pharmacist, employment of an authorized person to certify compliance with GMP Guide, labeling, employees’ hygiene, product testing regarding identity, purity and safety, and maintenance of the premises, and record-keeping by the licensed manufacturers are set forth under the said regulations.

Registration of pharmaceutical products

Under the Pharmacy and Poisons Regulations, pharmaceutical products must be registered with the Pharmacy and Poisons Board of Hong Kong before they can be sold, offered for sale, distributed or possessed for the purposes of sale, distribution or other use in Hong Kong. Any person who engages in the sale of unregistered pharmaceutical products commits an offense and is liable on conviction to a fine of HK$100,000 and imprisonment for two years.

Wholesale sale and supply of poisons or pharmaceutical products

According to the Pharmacy and Poisons Regulations, a person must not, by way of wholesale dealing, sell or supply at or from any premises a pharmaceutical product, or a substance or article consisting of or containing any poison, unless the person: (i) holds a wholesale dealer license; (ii) is an authorized seller of poisons; or (iii) is a licensed manufacturer selling or supplying only pharmaceutical products manufactured by the licensed manufacturer. Furthermore, licensed wholesalers and licensed manufacturers are required to sell or supply a poison only to specified persons and to keep records of transactions in poisons and pharmaceutical products.

Import and export of pharmaceutical products

Pursuant to the Pharmacy and Poisons Ordinance, a person must not carry on business as an importer or exporter of pharmaceutical products unless the person is a licensed wholesale dealer, or the person is a licensed manufacturer, and (in the case of importation) the products are imported by the person for the purpose of manufacturing the person's own pharmaceutical products or (in the case of exportation) the products to be exported are manufactured by the person.

Distribution and retail of poisons

The Pharmacy and Poisons Ordinance prescribes that only an authorized seller of poisons can carry on a business of retail sale of poisons, provided that the actual sale of poisons is conducted on premises registered in respect of the seller by a registered pharmacist or in his presence and under his supervision. However, exemptions are provided with regard to the sale of poisons by way of wholesale dealing, including the sale of poisons to be exported by a person (where the person is a licensed wholesale dealer, or the person is a licensed manufacturer and the products to be exported are manufactured by the person) to purchasers outside Hong Kong, the sale of a substance to a registered medical practitioner, registered dentist or registered veterinary surgeon for the purpose of his profession, the sale or supply of a substance for use in or in connection with an institution, the sale of a substance by a person carrying on a business, in the course of which poisons are regularly sold to either a person who requires the substance for the purpose of his trade or business, a government department or an officer of the government requiring the substance for the purpose of the public service or a person or institution concerned with education or scientific research, if the substance is required for the purposes of that education or research. Thus, the said exemption applies to our sale of poisons by way of wholesale dealing or otherwise to retail pharmacies, drug stores, chain stores, general practitioners, private hospitals, Hospital Authority hospitals and clinics, Department of Health clinics, as well as our sale of poisons to be exported to purchasers outside Hong Kong in accordance with the said ordinance.

Chinese Medicine Ordinance and Chinese Medicines Regulation

The Chinese Medicine Ordinance makes provisions for the registration of practitioners in Chinese medicines, the licensing of traders in Chinese medicines, and the registration of proprietary Chinese medicines, as defined in the said ordinance, and other related matters. Under the said ordinance, "proprietary Chinese medicine" is defined as any proprietary product that is (i) composed solely of the following as active ingredients: (a) any Chinese herbal medicines and/or (b) any materials of herbal, animal or mineral origin customarily used by the Chinese; (ii) formulated in a finished dose form; and (iii) known or claimed to be used for the diagnosis, treatment, prevention or alleviation of any disease or any symptom of a disease in human beings, or for the regulation of the functional states of the human body. Our proprietary Chinese medicine business is subject to the regulation of the Chinese Medicine Ordinance.

Registration of proprietary Chinese medicines

According to the Chinese Medicine Ordinance, no person shall sell, import or possess any proprietary Chinese medicines unless the proprietary Chinese medicines are registered with the Chinese Medicines Board. A certificate of registration would be issued to the applicant in respect of the relevant proprietary Chinese medicines upon approval of the registration application. Any person who is found guilty of an offense under the said ordinance shall upon conviction be liable to a maximum fine of HK$100,000 and to imprisonment for two years.

Furthermore, the particulars of a proprietary Chinese medicine, namely Chinese and English name, dose form, name and quantity of each of its active ingredient, name and quantity of each of its excipient (if any), specification, indication (if any), dosage and method of usage, each of its labels to be attached or printed on its package, package insert to be supplied for its sales inside Hong Kong, each of the package inserts to be supplied for its sales outside Hong Kong (if any), name and address of each of its manufacturer, and function or pharmacological action, are required by the Chinese Medicines Regulation (Chapter 549F of the Laws of Hong Kong) to be registered.

License to manufacture proprietary Chinese medicines

Pursuant to the Chinese Medicine Ordinance, no person shall manufacture any proprietary Chinese medicines, whether registered or not, without a manufacturer license issued by the Chinese Medicines Board; or at any place other than the premises specified in such license. Furthermore, manufacturers are required to comply with the licensing requirements under the Chinese Medicines Regulation.

License to trade in Chinese medicines and Chinese herbal medicines

According to the Chinese Medicine Ordinance, no person shall sell or distribute by way of wholesale, or possess for the purpose of wholesale, any proprietary Chinese medicines or Chinese herbal medicines without a wholesaler license in proprietary Chinese medicines or Chinese herbal medicines, as applicable, issued by the Chinese Medicines Board, or at any place other than the premises specified in such license. Furthermore, wholesalers of proprietary Chinese medicines and Chinese herbal medicines are required to maintain the premises in suitable condition for storage and to keep transaction records under the Chinese Medicines Regulation.

Labeling and packaging requirements

Pursuant to the Chinese Medicine Ordinance, no person shall sell or have in his possession for the purpose of selling any proprietary Chinese medicines if such proprietary Chinese medicine is without a package label or package insert in the prescribed manner in accordance with the Chinese Medicines Regulation. However, these do not apply to proprietary Chinese medicines imported by a licensed wholesaler for the purpose of re-exporting by the same wholesaler, and the case where a person is in possession of a proprietary Chinese medicine manufactured in Hong Kong for the purpose of exporting the same, according to the said regulation.

Dangerous Goods Ordinance, Dangerous Goods (Application and Exemption) Regulations, and Dangerous Goods (General) Regulations

The Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong) sets forth the regulation relating to “dangerous goods” and shall apply to, inter alia, all explosives, compressed gasses, petroleum and other substances giving off inflammable vapors, substances giving off poisonous gas or vapor, corrosive substances, substances which become dangerous by interaction with water or air, substances liable to spontaneous combustion or of a readily combustible nature and radioactive material.

The Dangerous Goods Ordinance prescribes that no person shall manufacture, store, convey or use any dangerous goods except under and in accordance with the license granted by the Hong Kong Fire Services Department. Notwithstanding any other liability which may arise under the provisions of such ordinance or otherwise, the breach of any term or condition endorsed upon any license issued shall constitute an offense which shall be punishable on summary conviction by a fine not exceeding $10,000 and imprisonment not exceeding one month. If a company is found guilty of an offense under the said ordinance, the directors and officers concerned in the management of the company shall be guilty of the like offense unless he proves that the act constituting the offense took place without his knowledge or consent.

The Dangerous Goods (Application and Exemption) Regulations (Chapter 295A of the Laws of Hong Kong) set forth the classification of dangerous goods to which the Dangerous Goods Ordinance applies. In particular, alcohol, which is used in the manufacturing process of certain of our proprietary Chinese medicines, falls under category five of dangerous goods, which include, inter alia, substances giving off inflammable vapor, substances having a flash point below 23 degrees Celsius and the substance named “Ethyl Alcohol.”

According to the Dangerous Goods (General) Regulations (Chapter 295B of the Laws of Hong Kong), no person shall store, or cause or permit to be stored, any dangerous goods in category five in any store together with goods other than dangerous goods in that category, and any dangerous goods in category five which are immiscible with water cannot be stored together with any such goods which are miscible with water. Furthermore, dangerous goods in category five should be packed, conveyed and stored in containers and comply with the requirements of the inner packing, outer packing and label for such dangerous goods. Under these regulations, any person who contravenes the regulations relevant to the conveyance and storage of dangerous goods in category five would be guilty of an offense and would be liable to a fine from HK$1,000 to HK$25,000, and imprisonment for one to three months.

Dangerous Drugs Ordinance and Dangerous Drugs Regulations

The Dangerous Drugs Ordinance (Chapter 134 of the Laws of Hong Kong) regulates the import, export, procurement, supply, dealing in or with, manufacture and possession of drugs or substances which are classified as dangerous drugs under the said ordinance. As our business involves the purchase and possession of raw materials, and manufacture, possession and supply of products, which are classified as dangerous drugs, we are subject to the regulation of this ordinance.

Under the Dangerous Drugs Ordinance, licenses are required for the trafficking in (including import, export, procurement, supply, or otherwise dealing in or with), manufacture and possession of dangerous drugs. A person authorized by or licensed under the said ordinance to manufacture a dangerous drug is also authorized to supply that drug, and a person authorized by or licensed under the said ordinance to supply a dangerous drug is also authorized to have that drug in his possession and to procure that drug. Dangerous drugs can only be supplied to persons authorized by or licensed under the said ordinance to be in possession of such drugs.

Furthermore, the Dangerous Drugs Regulations (Chapter 134A of the Laws of Hong Kong) regulates the labeling and record-keeping of dangerous drugs. Any person who contravenes the provisions of the said regulations shall be guilty of an offense and shall be liable on conviction to a fine of HK$450,000 and to imprisonment for three years.

Public Health and Municipal Services Ordinance and the Regulations thereunder

The Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) (the "**Public Health Ordinance**") regulates food and drugs. Under this ordinance, "food" has the same meaning as that under the Food Safety Ordinance (Chapter 612 of the Laws of Hong Kong) as further described in the section headed "— Food Safety Ordinance" below, and "drug" includes any medicine, Chinese herbal medicine or proprietary Chinese medicines for internal or external use by man. As our business involves the sales and distribution of branded healthcare products in Hong Kong, we are subject to the regulation of the Public Health Ordinance.

The Public Health Ordinance makes provision for the safety of food and drugs, and regulates the preparation and sale of adulterated food or drugs, among others. In particular, (i) no person shall add any substance to food, use any substance as an ingredient in the preparation of food, abstract any constituent from food, or subject food to any other process or treatment, so as (in any such case) to render the food injurious to health, with intent that the food shall be sold for human consumption in that state; (ii) no person shall add any substance to, or abstract any constituent from, a drug so as to affect injuriously the quality, constitution or potency of the drug, with intent that the drug shall be sold in that state; and (iii) no person shall sell for human consumption, offer, expose or advertise for sale for human consumption, or have in his possession for the purpose of such sale, any food rendered injurious to health or any drug injuriously affected in its quality, constitution or potency by any operation described above. In determining whether an article of food is injurious to health, the probable effect of that article on the health of a person consuming it as well as the probable cumulative effect of articles of substantially the same composition on the health of a person consuming such articles in ordinary quantities shall be taken into account. Any person who contravenes the said provisions commits an offense.

Furthermore, the Public Health Ordinance prohibits false labeling and advertisement of food or drugs and provides that: (i) if any person gives with any food or drug sold by him, or displays with any food or drug exposed for sale by him, a label, whether or not the same is attached to or printed on the wrapper or container, which falsely describes the food or drug, or is calculated to mislead as to its nature, substance or quality, he shall be guilty of an offense, unless he proves that he did not know, and could not with reasonable diligence have ascertained, that the label was of such a character as aforesaid; (ii) if any person publishes, or is partly to the publication of, an advertisement, other than a label which falsely describes any food or drug, or is likely to mislead as to the nature, substance or quality of any food or drug, he shall be guilty of an offense, and, in any proceedings against the manufacturer, producer or importer of the food or drug, it shall rest on the defendant to prove (a) that he did not publish, and was not a party to the publication of, the advertisement; or (b) that he did not know, and could not with reasonable diligence have ascertained, that the advertisement was of such a character as is described in that subsection; or (c) that being a person whose business it is to publish, or arrange for the publication of, advertisements, he received the advertisement in the ordinary course of business.

According to the Public Health Ordinance, any person who is guilty of an offense under the ordinance shall be liable on summary conviction to a fine of HK$10,000 to HK$50,000 and to imprisonment for three to six months. Furthermore, the regulations made under the Public Health Ordinance make provision for, inter alia, sweeteners in food, metallic contamination of food, composition and labeling of food and drugs, harmful substances in food, and mineral oil in food. Any person who contravenes these said regulations shall be guilty of an offense and shall be liable on summary conviction to a fine of HK$50,000 and to imprisonment for six months.

Food Safety Ordinance

The Food Safety Ordinance establishes a registration scheme for food importers and food distributors, to require the keeping of records by persons who acquire, capture, import or supply food and to enable food import controls to be imposed. Under this ordinance, "food" is defined to include, inter alia, drink and articles and substances used as ingredients in the preparation of food, which does not include medicine as defined under the Pharmacy and Poisons Ordinance or Chinese herbal medicine or proprietary Chinese medicines as defined under the Chinese Medicine Ordinance.

For the purpose of the Food Safety Ordinance, any food commonly used for human consumption is presumed, unless there is evidence to the contrary, to be intended for human consumption. As such, our consumable health and wellness products, such as vitamins and minerals, insofar as they do not constitute medicines or proprietary Chinese medicines for the purpose of the Pharmacy and Poisons Ordinance and the Chinese Medicine Ordinance, are likely to be considered "food" for the purpose of the Food Safety Ordinance.

Registration as food importer or distributor

The Food Safety Ordinance requires that any person who carries on a food importation business or food distribution business to register with the Food and Environmental Hygiene Department as a food importer or food distributor. Any person who does not register but carries on a food importation or distribution business, without reasonable excuse, commits an offense and is liable to a maximum fine of HK$50,000 and imprisonment for six months.

Record-keeping requirements relating to movement of food

The Food Safety Ordinance sets forth the record-keeping requirements for local acquisition of food, acquisition of imported food, capture of local aquatic products, and wholesale supply of food. In general, a food importer or food distributor should keep the record, including details such as the date the food was acquired or imported, name and contact details of the supplier or purchaser, and total quantity of the food and description of the food, for the specified period. Any person who fails to comply with the record-keeping requirements, without reasonable excuse, commits an offense and is liable to a maximum fine of HK$10,000 and imprisonment for three months.

Waste Disposal Ordinance and Waste Disposal (Chemical Waste) (General) Regulation

The Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) provides for the control and regulation of the production, storage, collection and disposal including the treatment, reprocessing and recycling of waste of any class or description, the licensing and registration of places and persons connected with any such activity, the protection and safety of the public in relation to any such activity and to provide for matters incidental thereto.

Pursuant to the Waste Disposal Ordinance, only licensed or authorized collection service provider can provide any services for the removal and disposal of general waste. The collection and disposal of chemical waste is further regulated by the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong) (the "**Chemical Waste Disposal Regulation**"). All of our general waste and chemical waste generated during our manufacturing process during the Track Record Period were collected by licensed waste collecting service providers listed by the Environmental Protection Department.

According to the Chemical Waste Disposal Regulation, a person shall not produce or cause to be produced chemical waste unless he is registered with the Environmental Protection Department as a chemical waste producer. A person who contravenes the requirement for registration commits an offense and is liable on conviction to a fine of HK$200,000 and to imprisonment for six months. Furthermore, a chemical waste producer shall ensure that chemical waste is properly packed, labeled and stored before disposal and shall keep and furnish records of its chemical waste disposal information for inspection. Any waste producer who fails to comply with any of such requirements commits an offense and is liable to a maximum fine of HK$100,000 and to imprisonment for six months.

Fire Safety (Buildings) Ordinance

The Fire Safety (Buildings) Ordinance (Chapter 572 of the Laws of Hong Kong) provides for fire safety improvements to be made to certain composite buildings and domestic buildings and to provide for related matters. The purpose of the said ordinance is to provide better protection from the risk of fire for occupants and users of, and visitors to, certain kinds of composite buildings.

As prescribed by the Fire Safety (Buildings) Ordinance, an owner or occupier of a composite building may be directed by the Buildings Department and the Fire Services Department of Hong Kong to comply with fire safety measures in relation to the planning, design and construction of a composite building, and the fire service installation or equipment. An owner or occupier who, without reasonable excuse, fails to comply with a fire safety direction is guilty of an offense and is liable on conviction to a fine of HK$25,000 and to a further fine of HK$2,500 for each day or part of a day during which the failure continues after the expiry of the period specified in the direction.

Fire Safety (Commercial Premises) Ordinance

The Fire Safety (Commercial Premises) Ordinance (Chapter 502 of the Laws of Hong Kong) provides better protection from the risk of fire for occupants and users of, and visitors to, certain kinds of commercial premises and commercial buildings.

Similar to the provision under the Fire Safety (Buildings) Ordinance, the owner or occupier of such a commercial building may be directed by the relevant enforcement authorities to comply with fire safety measures in relation to the planning, design and construction of the building, and fire service installation or equipment. An owner or occupier who, without reasonable excuse, fails to comply with the fire safety direction is guilty of an offense and is liable on conviction to a fine at HK$25,000 and to a further fine of HK$2,500 for each day or part of day during which the failure continues after the expiry of the period specified in the direction.

Boilers and Pressure Vessels Ordinance

The Boilers and Pressure Vessels Ordinance (Chapter 56 of the Laws of Hong Kong) controls the use and operation of boilers and pressure vessels, to provide for the holding of inquiries into accidents in or to boilers and pressure vessels and to provide for matters connected with the purposes aforesaid. Under the said ordinance, no boiler or pressure vessel may be operated until it is registered with the Boilers and Pressure Vessels Authority, and it has been examined and certified (with a certificate of fitness) or it has been granted an exemption by the Boilers and Pressure Vessels Authority. As we use and operate pressure vessels in some of our manufacturing processes, we are subject to the regulation of this ordinance.

In accordance with the Boilers and Pressure Vessels Ordinance, periodic examination of boilers and pressure vessels shall be carried out. Depending on the type of boiler or pressure vessel, after the date of any certificate of fitness issued in respect thereof, each boiler or pressure vessel should be examined by an appointed examiner within 14 or 26 months, or any shorter period as suggested by the appointed examiner and endorsed by the Boilers and Pressure Vessels Authority. Furthermore, the owner of a boiler or pressure vessel shall keep the latest certificate of fitness issued, or a copy thereof, at the premises or place at which the boiler or pressure vessel is installed. The owner of a boiler or pressure who, without reasonable excuse, contravenes these requirements shall be guilty of an offense and shall be liable on summary conviction to a fine of HK$10,000.

Radiation Ordinance and Radiation (Control of Radioactive Substances) Regulations

The Radiation Ordinance (Chapter 303 of the Laws of Hong Kong) controls, inter alia, the import, export, possession and use of radioactive substances and irradiating apparatus. As we use an x-ray inspection machine to detect foreign matter in aluminum foil sachets during our manufacturing process, we are subject to the regulation of this ordinance.

According to the Radiation Ordinance, no person shall, except under and in accordance with a license issued, deal with or have in his possession or use, any radioactive substance or irradiating apparatus. Any person who contravenes an offense under the said ordinance shall be liable to a fine of HK$50,000 and to imprisonment for two years, and in the case of continuing offense, be liable to an additional fine of HK$2,500 for every day during the whole or any part of which such offense is knowingly and willfully continued under the said ordinance.

Pursuant to the Radiation (Control of Radioactive Substances) Regulations (Chapter 303A of the Laws of Hong Kong), every licensee shall cause to be exhibited in a conspicuous place in the premises where the radioactive substance concerned is stored or otherwise dealt with. Any person who fails to comply with the said provision shall be guilty of an offense and be liable on conviction to a fine of HK$6,000. The licensee shall also comply with the requirements in relation to labeling, storage, disposal of radioactive waste, control of exposure, workplace and equipment, precautions for workers, and supervision under the said regulations.

Protection of Endangered Species of Animals and Plant Ordinance

The Protection of Endangered Species of Animals and Plant Ordinance (Chapter 586 of the Laws of Hong Kong) (the "**Protection of Endangered Species Ordinance**") regulates the import, introduction from the sea, export, re-export, and possession or control of certain endangered species of animals and plants and parts and derivatives of those species, and provides for incidental and connected matters. As we import artificially propagated Saussurea costus (雲木香) which is used as an ingredient for manufacturing one of our proprietary Chinese medicines, and export such proprietary Chinese medicine which contains artificially propagated Saussurea costus, we are subject to the regulation of the said ordinance. We are however not required to obtain a license for the possession or control of a specimen of a scheduled species as none of the Saussurea costus we imported during the Track Record Period were live plant.

According to the Protection of Endangered Species Ordinance, a person may obtain a license for the import, export or re-export of a specimen of a scheduled species from the Agriculture, Fisheries and Conservation Department. A person shall not import, export or re-export a specimen of an appendix II species (in our case, Saussurea costus) except, inter alia, under and in accordance with a license issued in respect of that specimen prior to the import, and a Convention certifying document showing that (i) the specimen is not a live animal or plant of wild origin, nor is it a live animal or plant that shall be treated as a specimen of an appendix II species, and (ii) the species is not of a population included in appendix I if the species is specified in both appendix I and appendix II. A "Convention certifying document" in this context means a permit, certificate or other document that is issued by a relevant authority of that place in respect of that specimen and remains in force when relied on to show compliance with the said ordinance, and that conforms to the provisions applicable to such a permit, certificate or other document as the case may be issued in respect of that specimen. A person who contravenes an offense under the said ordinance is liable on conviction to a maximum fine of HK$50,000 and to imprisonment for six months.

Import and Export Ordinance, Import and Export (General) Regulations, and Import and Export (Registration) Regulations

The Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) regulates and controls, inter alia, the import of articles into and the export of articles from Hong Kong. As we import certain herbs which are toxic herbs in schedule 1 (namely Aconiti Radix, Arisaematis Rhizoma, Aconiti Lateralis Radix Praeparata and Pinelliae Rhizoma), dangerous drugs, poisons, non-poisons, antibiotics and controlled chemicals for the manufacturing purposes of our business, and we export our proprietary Chinese medicines and finished goods of dangerous drugs, poisons and non-poisons, we are subject to the regulation of this ordinance.

The Import and Export Ordinance stipulates that no person shall import or export any articles specified in schedule 1 to the Import and Export (General) Regulations (Chapter 60A of the Laws of Hong Kong) without a proper import or export license. The articles in the said schedule 1 include, inter alia, pharmaceutical products and medicines as defined under the Pharmacy and Poisons Ordinance, proprietary Chinese medicines as defined under the Chinese Medicine Ordinance, and certain Chinese herbal medicines, powdered formula and controlled chemicals as defined under the Hazardous Chemicals Control Ordinance (Chapter 595 of the Laws of Hong Kong). Any person who contravenes an offense under the Import and Export Ordinance in respect of pharmaceutical products, medicines, and proprietary Chinese medicines shall be liable on conviction to a fine of HK$500,000 and to imprisonment for two years.

As dictated by the Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong), every person who imports or exports any article other than an exempted article shall lodge with the Hong Kong Customs and Excise Department an accurate and complete import or export declaration. Any person who fails or neglects, without reasonable excuse, to lodge the required declaration within 14 days shall be guilty of an offense and shall be liable on summary conviction to a fine of HK$1,000, and, commencing on the day following the date of conviction, to a fine of HK$100 in respect of every day during which his failure or neglect to lodge such declaration in that manner continues. Furthermore, any person who knowingly or recklessly lodges any declaration that is inaccurate in any material particular shall be guilty of an offense and shall be liable on summary conviction to a fine of HK$10,000.

Control of Chemicals Ordinance and Control of Chemicals Regulations

The Control of Chemicals Ordinance controls chemicals related to the manufacture of narcotic drugs or psychotropic substances as set forth in schedules 1, 2 and 3 to this ordinance. A license is required for the import, export, supply, dealing in or with, manufacture, and possession of substance specified in the said schedules. As we import, store and use controlled chemicals for our manufacturing process, we are required to obtain the relevant licenses in accordance with the said ordinance.

Under the Control of Chemicals Regulations (Chapter 145A of the Laws of Hong Kong), a holder of the license or permit shall record the receipt and manufacture of such substances and keep or store them in premises and containers in accordance with such regulations.

Undesirable Medical Advertisements Ordinance

The Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of Hong Kong) aims to protect public health through restricting certain advertisements relating to medical and health matters. The labeling and advertising of certain of our products are subject to the regulation of this ordinance.

The Undesirable Medical Advertisements Ordinance prohibits the publishing of any advertisements likely to lead to the use of any medicine, surgical appliance or treatment for (i) the purpose of treating human beings for, or preventing human beings from contracting, any diseases or condition specified in column 1 in schedule 1 to the said ordinance (including, among others, parasitic diseases, diseases of the heart or cardiovascular system, gastro-intestinal diseases, diseases of the nervous system, diseases of the blood or lymphatic system, diseases of the musculo-skeletal system, diseases of the skin, hair or scalp, and viral, bacterial, fungal or other infectious diseases); or (ii) treating human beings for any purpose specified in schedule 2 to the said ordinance (including (a) the induction of menstruation or relief of amenorrhea or delayed menstruation or any other gynecological or obstetrical disease; (b) the promotion of sexual virility, desire or fertility, or the restoration of lost youth; and (c) the correction of deformity or the surgical alteration of a person's appearance).

According to the Undesirable Medical Advertisements Ordinance, "advertisement" includes any notice, poster, circular, label, wrapper or document, and any announcement made orally or by any means of producing or transmitting light or sound, published in newspapers and magazines, leaflets, on radio, television, and internet, as well as on the label of a container or package containing any medicine, surgical appliance, treatment, or orally consumed product. However, the supply, inside any container or package containing any medicine, surgical appliance or treatment, of information relating to that or any other medicine, surgical appliance or treatment shall not constitute the publication of an advertisement.

Any person who contravenes a provision under the Undesirable Medical Advertisements Ordinance shall be guilty of an offense and shall be liable upon a first conviction to a maximum fine of HK$50,000 and to imprisonment for six months and upon a second or subsequent conviction for an offense under the same provision to a maximum fine of HK$100,000 and to imprisonment for one year.

Trade Descriptions Ordinance

The Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) prohibits false trade description, false, misleading or incomplete information, false marks and misstatements in respect of goods provided in the course of trade or suppliers of such goods. Under the said ordinance, "trade description" in relation to goods is defined as an indication, direct or indirect, and by whatever means given, with respect to the goods or any part of the goods including an indication of the specified matters, including, inter alia, quantity, size or gage, method of manufacture, composition, fitness for purpose, availability, compliance with a standard specified or recognized by any person, price, place or date of manufacture, production, processing or reconditioning, person by whom manufactured, produced, processed or reconditioned. The labeling and advertisements in respect of our products are subject to the relevant provisions therein.

The Trade Descriptions Ordinance formulates that it is an offense to (i) in the course of any trade or business apply a false trade description to any goods, or supply or offer to supply any goods to which a false trade description is applied; or (ii) have in one's possession for sale or for any purpose of trade or manufacture any goods to which a false trade description is applied; (iii) apply a false trade description to a service supplied or offered to be supplied to a consumer; (iv) supply or offer to supply to a consumer a service to which a false trade description is applied; or (v) have the importation or exportation of any goods to which a false trade description or forged trade mark is applied. The Trade Descriptions Ordinance further prescribes that a trader who engages in relation to a consumer in a commercial practice that is (i) a misleading omission; (ii) aggressive; or (iii) constitutes (a) bait advertising, (b) a bait and switch, or (c) wrongly accepting payment for a product, commits an offense.

Any person who commits an offense under the Trade Descriptions Ordinance shall be liable, on conviction on indictment, to a fine of HK$500,000 and to imprisonment for five years, and on summary conviction, to a maximum fine of HK$100,000 and to imprisonment for two years.

Trade Marks Ordinance

The Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong) provides for the registration of trade marks, the use of registered trade marks and connected matters. Under the said ordinance, "trade mark" is defined as any sign which is capable of distinguishing the goods or services of one undertaking from those of other undertakings and which is capable of being represented graphically. The registration and maintenance of trade marks for our self-manufactured own brand products, and the distribution of products under third-party trade marks are subject to the regulation of this ordinance.

The Trade Marks Ordinance provides territorial protection for trade marks. As such, trade marks registered in other countries or regions are not automatically entitled to protection in Hong Kong. In order to enjoy protection by the laws of Hong Kong, trade marks must be registered with the Trade Marks Registry of the Intellectual Property Department. Upon registration of the trade mark, the owner is conferred exclusive rights in the trade mark which are infringed by use of the trade mark in Hong Kong without his consent. In respect of any infringement of a registered trade mark, the owner is entitled to remedies under the said ordinance, including, inter alia, damages, injunctions, accounts, order for delivery up and order for disposal.

Copyright Ordinance

The Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) makes provisions in respect of copyright and related rights and for connected purposes. As we create artistic and literary works in the course of business (including packaging, instruction and explanation), and import and distribute products with design works which may involve copyright belonging to another person, we are subject to the regulation of this ordinance. Under the said ordinance, an owner of the copyright in a work is conferred a series of exclusive rights, including the right to, inter alia, copy the work, issue copies of the work to the public, and make available copies of the work to the public. In addition, the Copyright Ordinance provides acts that constitute secondary infringement of the copyright in a work, including, inter alia, importing or exporting infringing copies, and possessing or dealing with infringing copies. A person would only be liable for a secondary infringement if he knows or has reasons to believe that the copy in question is an infringing copy of the copyright work. Where a copyright is infringed, the copyright owner is entitled to remedies under the said ordinance, including, inter alia, damages (and, in appropriate cases, additional damages), injunctions, accounts, orders for delivery up, and orders for disposal.

Patents Ordinance

The Patents Ordinance (Chapter 514 of the Laws of Hong Kong) makes provision for the grant, registration and use of patents and related matters. As our business involves the import or export of products that are covered by patents owned by third parties, we are subject to the regulation of this ordinance.

Pursuant to the Patents Ordinance, a patent gives the inventor an exclusive right to use his invention, including, inter alia, the right to make, put on the market, use, import or stock any product which is the subject matter of the patent. Two types of patents may be granted under this ordinance: (i) standard patents; and (ii) short-term patents. The patent registration system of Hong Kong provides territorial protection. Hence, foreign patents have to be registered in Hong Kong to be entitled to protection under such ordinance. In respect of any infringement of a granted patent, the proprietor is entitled to remedies under the said ordinance, including, inter alia, damages, injunctions, accounts, order for delivery up and order for disposal.

Business Registration

The Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) sets forth the law relating to the registration of businesses in Hong Kong. Under this ordinance, "business" is defined as any form of trade, commerce, craftsmanship, profession, calling or other activity carried on for the purpose of gain and also defined as a club.

Under the Business Registration Ordinance, every person carrying on any business or commencing to carry on any business shall make application to the Inland Revenue Department in the manner prescribed for the registration of that business. A business registration application shall be made within one month of the commencement of such business. In addition, any person carrying on business at a branch of business shall make application in the manner prescribed for the registration of that branch within one month of the commencement of business at the branch. The valid business registration certificate or branch registration certificate must be displayed in a conspicuous place at the address where the business is carried on and should be produced for official inspection on demand. Where business registration certificates are issued in electronic form under the one-stop company and business registration service, companies must display a printed copy of such certificates. Any person who fails to make any registration application as required under the said ordinance shall be guilty of an offense and shall be liable to a maximum fine of HK$5,000 and to imprisonment for one year.

Competition Ordinance

The Competition Ordinance prohibits (i) making or giving effect to agreements, engaging in a concerted practices, or, in the case of associations of undertakings, making or giving effect to decisions, that have as their object or effect the prevention, restriction or distortion of competition in Hong Kong; (ii) unilateral abuses of substantial market power that are engaged in with the object or effect of the prevention, restriction or distortion of competition in Hong Kong; and (iii) mergers of telecommunications carriers that have, or are likely to have the effect of substantially lessening competition in Hong Kong. This ordinance came into effect on December 14, 2015. There will be no retrospective application of these three prohibitions. Therefore, this ordinance applies to the entry into and giving effect of agreements that we concluded after the coming into effect of the Competition Ordinance. The ordinance also applies to agreements that we entered into before the effective date of the Competition Ordinance, insofar as the parties continued to give effect to such agreements after the effective date.

Upon contravention of a competition rule by an offender, the Competition Tribunal may impose penalties including pecuniary penalty, injunctive orders, disqualification orders, costs orders, award of damages, and other orders. If a pecuniary penalty is to be imposed, the maximum amount of such pecuniary penalty imposed in relation to conduct constituting a single contravention is 10% of the turnover of the undertaking concerned for each year the contravention occurred, or, if the contravention occurred in more than three years, 10% of the turnover of the undertaking concerned for the three years in which the contravention occurred that saw the highest, second highest and third highest turnover.

Employees' Compensation Ordinance

The Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases. This ordinance applies to all full-time or part-time employees who are employed under contracts of service or apprenticeship, but does not apply to casual employees (but still applies to employees employed for the purposes of the employer's trade or business), outworkers, or members of the employer's family who live with him.

According to the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents. We, as an employer, shall report work injuries of our employees to the Labor Department not later than 14 days after the accident, irrespective of whether the accident gives rise to any liability to pay compensation.

As imposed by the Employees' Compensation Ordinance, all employers are required to take out insurance policies to cover their liabilities both under such ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). The minimum insurance cover is: (i) HK$100 million per event where the number of employees in relation to whom the policy is in force does not exceed 200; and (ii) HK$200 million per event where the number of employees in relation to whom the policy is in force exceeds 200. An employer who fails to comply with the said ordinance to secure an insurance cover commits an offense and is liable on conviction upon indictment to a fine of HK$100,000 and imprisonment for two years and on a summary conviction to a fine of HK$100,000 and to imprisonment for one year.

According to the Employees' Compensation Ordinance, an employer shall not, without the consent of the Labor Department, terminate, or give notice to terminate, the contract of service of an employee (who has suffered incapacity or temporary incapacity in circumstances which entitle him to compensation under such ordinance) before occurrence of certain events. Any person who commits breach of this provision is liable on conviction to a maximum fine of HK$100,000.

Employment Ordinance

The Employment Ordinance (Chapter 57 of the Laws of Hong Kong) provides for the protection of the wages of employees, regulates general conditions of employment and employment agencies, and for matters connected therewith. Subject to limited exceptions, this ordinance applies to all employees engaged under a contract of employment, to employers of such employees and to the contract of employment between such employers and employees, and makes provision for, inter alia, payment of wages, end of year payment, rest days, holidays, and leave, sickness allowance, maternity protection and paternity leave. An employer who, without reasonable excuse, fails to comply with the relevant provisions, shall be guilty of an offense and shall be liable on conviction to a fine ranging between HK$10,000 and HK$350,000.

The Employment Ordinance also requires an employer to keep records of, inter alia, sickness days, annual leave, wage and employment history in relation to each employee. An employer who fails to keep such record is shall be liable on conviction to a fine of HK$10,000.

Mandatory Provident Fund Schemes Ordinance

The Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the "**MPF Schemes Ordinance**") specifies that employers shall participate in a registered mandatory provident fund scheme for employees employed under the jurisdiction of the Employment Ordinance.

Under the MPF Schemes Ordinance, employers are required to enroll their regular, employees (full-time and part-time) and self-employed persons, except for exempt persons, who are at least 18 but under 65 years of age within the first 60 days of employment. For both employees and employers, it is mandatory to make regular contributions into a registered mandatory provident fund scheme. For an employee, subject to the maximum and minimum levels of income (HK$25,000 and HK$7,100 per month, respectively before June 1, 2014 or HK$30,000 and HK$7,100 per month, respectively on or after June 1, 2014), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered mandatory provident fund scheme with a ceiling of HK$1,250 before June 1, 2014 or HK$1,500 on or after June 1, 2014. An employer will also be required to contribute an amount equivalent to 5% of an employee's relevant income to the registered mandatory provident fund scheme, subject only to the maximum level of income (HK$25,000 per month before June 1, 2014 or HK$30,000 on or after June 1, 2014).

According to the MPF Schemes Ordinance, employers found to have evaded or delayed payment of MPF contributions, deducted employer contributions from an employee's pay, or failed to enroll their employees to a registered mandatory provident fund scheme, may be liable to a financial penalty and potential criminal prosecution.

Occupational Safety and Health Ordinance

The Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) aims to ensure the safety and health of persons when they are at work and provides for related matter. This ordinance and its subsidiary regulations impose general duty of care on employers, occupiers of premises and employees, and formulate basic requirements in accident prevention, fire prevention, working environment, workplace hygiene, first aid, manual handling operation and use of display screen equipment.

Under the Occupational Safety and Health Ordinance, an employer is responsible to ensure the safety and health of its employees, which includes, inter alia: (i) providing or maintaining plant and systems of work that are, so far as reasonably practicable, safe and without risks to health; (ii) making arrangements for ensuring, so far as practicable, safety and absence of risks to health in connection with the use, handling, storage and transport of plant or substances; (iii) providing such information, instruction, training and supervision as may be necessary to ensure, so far as reasonably practicable, the safety and health at work of the employer's employees; (iv) maintaining the workplace in a condition that is, so far as reasonably practicable, safe and without risks to health; (v) providing or maintaining means of access to or egress from the workplace that are, so far as reasonably practicable, safe and without such risks; and (vi) providing or maintaining a working environment for its employees that is, so far as reasonably practicable, safe and without risks to health. An employer who fails to comply with the said provisions commits an offense and is liable on conviction to a fine of HK$200,000.

LAWS AND REGULATIONS RELATING TO THE SALE OF OUR PRODUCTS TO OR IN CHINA

Import of Dietary Supplements, Pharmaceuticals and Medical Equipment via General Trading Channels

Dietary supplements

In accordance with the Administrative Measures for Dietary Supplements (《保健食品管理辦法》) promulgated by the Ministry of Health (currently known as the National Health Commission) on March 15, 1996 and effective from June 1, 1996, "dietary supplements" refer to supplements with specific healthcare functions, namely such supplements that are suitable for certain groups of people to adjust their bodily functions but not for the purpose of treating diseases.

Pursuant to the Food Safety Law of the PRC (《中華人民共和國食品安全法》) passed by the SCNPC on February 28, 2009 and last amended on December 29, 2018 and the Administrative Measures for the Registration and Recordation of Dietary Supplements (《保健食品註冊與備案管理辦法》) promulgated by China Food and Drug Administration (which has been currently consolidated as the SAMR) on February 26, 2016 and last amended on October 23, 2020, (i) dietary supplements imported for the first time (excluding those that belong to vitamin, minerals and other nutritious substances and nutritional supplements) are subject to application to the SAMR for registration; and (ii) dietary supplements that are imported for the first time and belong to vitamin, minerals and other nutritious substances and nutritional supplements are subject to application to the SAMR for recordation.

Pharmaceuticals

Pursuant to the Pharmaceutical Administration Law of the PRC (《中華人民共和國藥品管理法》) (the "**Pharmaceutical Administration Law**") passed by the SCNPC on September 20, 1984 and last amended on August 26, 2019, "pharmaceutical" refers to substances used for the prevention, treatment or diagnosis of human diseases, for the purpose of regulating human physiological functions and with prescribed indications or efficacies, usages and dosage, including traditional Chinese medicines, medicinal chemicals and biological products.

According to the Pharmaceutical Administration Law and the Regulations for the Implementation of the Pharmaceutical Administration Law of the PRC (《中華人民共和國藥品管理法實施條例》) promulgated by the State Council on August 4, 2002 and amended on February 6, 2016 and March 2, 2019 respectively, any pharmaceutical import is subject to application for registration in compliance with the provisions of the NMPA. Pharmaceutical products from overseas manufacturers may be imported only upon the obtainment of the Import Drug License (《進口藥品註冊證》), while those from manufacturers in Hong Kong, Macau or Taiwan of China may be imported only upon the obtainment of the Pharmaceutical Product License (《醫藥產品註冊證》).

Medical equipment

Pursuant to the Regulations on the Supervision and Administration of Medical Equipment (《醫療器械監督管理條例》) promulgated by the State Council in 2000 and amended on February 12, 2014 and May 4, 2017 respectively, "medical equipment" refers to such instruments, apparatuses, appliances, in-vitro diagnostic reagents and calibrators, materials and other similar or related items, including necessary computer software, used directly or indirectly on the human body, with effect obtained mainly through physical means rather than pharmacological, immunological or metabolic means. Such means are employed but with a supplementary role, for the purpose of (i) diagnosis, prevention, monitoring, treatment or alleviation of diseases; (ii) diagnosis, monitoring, treatment, alleviation or function compensation of injuries; (iii) examination, replacement, regulation or support of physiological structure or process; (iv) life support or maintenance; (v) control of conception; and (vi) provision of information for medical treatment or diagnosis by means of examining samples from the human body.

In accordance with the Regulations on the Supervision and Administration of Medical Equipment, the state employs classified management of medical equipment based on the extent of risk. Class I encompasses low-risk medical equipment, with safety and effectiveness ensured through routine administration; class II covers moderate-risk medical equipment, with safety and effectiveness ensured through rigorous control and administration; and class III involves high-risk medical equipment, with their safety and limitation ensured through strict control and administration. An overseas manufacturer that exports class I medical equipment to China shall, through its representative office in China or the corporate enterprise designated in China as its agent, submit to the NMPA record filings and supportive documents for approval of the market launch of such medical equipment by the competent authorities of the country or region where the filing party is located. An overseas manufacturer that exports class II or class III medical equipment to China shall, through its representative office in China or the corporate enterprise designated in China as its agent, submit to the NMPA registration application documents and supportive documents for approval of the market launch of such medical equipment by the competent authorities of the country or region where the registration applicant is located.

With reference to the Administrative Measures for Registration of Medical Equipment (《醫療器械註冊管理辦法》) promulgated by China Food and Drug Administration (now consolidated as the SAMR) on July 30, 2014 and effective from October 1, 2014, medical equipment for sale and use in China is subject to application for registration or filing with China Food and Drug Administration in accordance with the Administrative Measures of Registration of Medical Equipment.

E-commerce

Under the E-Commerce Law of the PRC (《中華人民共和國電子商務法》) promulgated by the SCNPC on August 31, 2018 and effective from January 1, 2019, "e-commerce operators" refer to natural persons, legal persons and unincorporated bodies that sell commodities or provide services via information networks such as the Internet, including e-commerce platform operators, in-platform operators and those that sell commodities or provide services on self-established websites or other network services. Such business operations shall adhere to the principles of voluntariness, equality, equity and integrity and comply with the law and business ethics, in addition to fair participation in market competition, performance of obligations such as protecting consumer rights and interests, the environment, intellectual property rights, cyber security and individual information, assumption of responsibility for product and service quality, and acceptance of supervision by the government and society.

Cross-border e-commerce retail imports

Pursuant to the Notice on Improving Supervision over Cross-border E-commerce Retail Imports (《關於完善跨境電子商務零售進口監管有關工作的通知》) promulgated by MOFCOM, the National Development and Reform Commission, the Ministry of Finance, the General Administration of Customs, the SAT and the SAMR on November 28, 2018 and implemented on January 1, 2019, "cross-border e-commerce retail imports" refer to the consumption behavior in which domestic Chinese consumers purchase goods from abroad through third-party cross-border e-commerce platform operators and have such purchased goods transported into China under the "Bonded Imports via Online Shopping" (網購保稅進口) or "Imports via Direct Purchase" (直購進口). Such imported goods are products that fall within the List of Imported Goods in Cross-border E-commerce Retail (《跨境電子商務零售進口商品清單》) and are limited to personal use only and meet the conditions set forth in the taxation policies for cross-border e-commerce retail imports. Transactions via the e-commerce trading platforms connected to the customs authorities enable comparison among the documents of transactions, payments and electronic logistics information. Alternatively, for transactions not via the e-commerce trading platforms connected to the customs authorities, cross-border express delivery operators and postal enterprises shall accept the entrustment of e-commerce enterprises and electronic payment providers to undertake to assume corresponding legal liabilities, and transmit transaction data, payment data and other electronic information to the customs authorities. Imported goods from cross-border e-commerce retail are subject to supervision as inbound items for personal use and not subject to the requirements of initial import approval, registration or recordation, except for goods from epidemic areas that are expressly but temporarily prohibited from import by relevant authorities and those imposed with emergency response measures due to material quality and safety risks. Cross-border e-commerce enterprises are responsible for ensuring the quality and safety of goods, protecting the rights and interests of consumers, reminding and notifying consumers, establishing a risk prevention and control mechanism for the quality and safety of goods, as well as establishing a sound traceability system for ensuring the quality of bonded imports through online shopping. Such enterprises shall also submit real-time electronic data regarding transactions for cross-border e-commerce retail imports with electronic signature affixed to the customs authorities, report their forms either on themselves or via an entrusted agent to the customs and assume corresponding responsibilities. Cross-border e-commerce enterprises shall appoint a domestic enterprise registered in China to undergo customs registration procedures, assume the responsibility for factual reporting, accept supervision from relevant authorities in accordance with law, and assume joint civil liability.

According to the Announcement on Regulatory Matters concerning Cross-Border E-commerce Retail Imports and Exports (《關於跨境電子商務零售進出口商品有關監管事宜的公告》) promulgated by the General Administration of Customs on December 10, 2018 and implemented on January 1, 2019, cross-border e-commerce platform enterprises, logistics enterprises, payment enterprises and other enterprises involved in cross-border e-commerce retail import business shall, in accordance with the regulations on the administration of registration of customs declaration entities, undergo registration procedures with the customs in the places where such enterprises are located. Overseas cross-border e-commerce enterprises shall appoint domestic agents to undergo registration procedures with the customs in the places where the agents are located. Enterprises engaged in cross-border e-commerce retail import and export business and registered with the customs shall be included in customs credit management, with the customs authorities enforcing differentiated customs clearance management measures according to credit levels. Goods imported through "Imports via Direct Purchase" (直購進口) in cross-border e-commerce and those applicable to the import policy of "Bonded Imports via Online Shopping" (網購保税進口) are subject to the regulation as inbound items for personal use but not subject to the requirements for initial import approval, registration and recordation of relevant goods.

As stated by the Guidelines of the General Administration of Quality Supervision, Inspection and Quarantine on Strengthening the Inspection and Supervision of Consumer Goods in Cross-border E-commerce Import and Export (《質檢總局關於加強跨境電子商務進出口消費品檢驗監管工作的指導意見》) promulgated by the General Administration of Quality Supervision, Inspection and Quarantine (currently consolidated as the SAMR) on June 10, 2015, the responsibilities of cross-border e-commerce enterprises for quality and safety shall be set forth explicitly, with a quality and safety supervision model in place for consumer goods in cross-border e-commerce import and export which centers on recordation, monitoring and traceability.

Advertising of Dietary Supplements, Pharmaceuticals and Medical Equipment

With reference to the Advertising Law of the PRC (《中華人民共和國廣告法》) promulgated by SCNPC on October 27, 1994 and last amended on October 26, 2018, advertisements for pharmaceuticals, medical equipment and dietary supplements shall be reviewed by relevant authorities before their release and are prohibited from release without review.

Pursuant to the Interim Administrative Measures for Review of Advertisements on Pharmaceuticals, Medical Equipment, Dietary Supplements and Formula Food for Special Medical Purposes (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》) promulgated by the SAMR on December 24, 2019 and implemented on March 1, 2020, advertisements on pharmaceuticals, medical equipment and dietary supplements shall be truthful and lawful. The advertisers (including natural persons, legal persons or other organizations that design, prepare and release advertisements for the marketing of products or services or engage others to do so) are responsible for the truthfulness and legality of the content of such advertisements on pharmaceuticals, medical equipment and dietary supplements. The holder of the registration certificate or filing certificate for pharmaceuticals, medical equipment and dietary supplements and authorized manufacturers and operators are the applicants of such advertisements, and the applicants may appoint agents to apply for the review of advertisements on pharmaceuticals, medical equipment, dietary supplements and formula food for special medical purposes.

OVERVIEW

Our Company was incorporated on January 7, 2020 to become the holding company of the branded healthcare business of the Jacobson Pharma Group. The Jacobson Pharma Group was the largest generic drug company in Hong Kong by sales in Hong Kong in 2019, according to the Frost & Sullivan Report. Through a series of investments, the Jacobson Pharma Group was established by Mr. Sum and Lau Wing Hung in 1998 initially as a pharmaceutical company and has over the past decades expanded successfully into various businesses, including the branded healthcare business operated by our Group.

Leveraging the "Jacobson" brand, we have built a large portfolio of branded healthcare products, which are broadly divided into two categories: (i) consumer healthcare, consisting of branded medicines and health and wellness products; and (ii) proprietary Chinese medicines. We introduced Contractubex, a consumer healthcare product, to the Hong Kong market in 2006, which has successfully addressed a then market gap and become one of the most recognizable scar treatment products in Hong Kong. Riding on this success, we continued to expand and grow our portfolio of branded medicines and health and wellness products by sourcing and introducing a wide range of third-party brand products. Meanwhile, we have successfully acquired a number of reputable proprietary Chinese medicine brands and their businesses, including Flying Eagle Woodlok Oil in 2003 and Po Chai Pills in 2010, rejuvenated their brands and market positions and grown their businesses substantially. More recently, 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. As of March 31, 2020, our portfolio of branded healthcare products consisted more than 1,700 products (including more than 700 single and combo formula CCMG products) counted by SKUs as in line with industry norm according to the Frost & Sullivan Report, and we carried a total of 20 principal brands (identified as our top 20 brands in terms of revenue contribution in the year ended March 31, 2020), including 11 principal third-party brands and 9 own brands. With the continuing growth and strategic focus on the branded healthcare business, the Spin-off is being conducted with a view to facilitating the further expansion of our branded healthcare business under a separate platform from the generic drug business of the Remaining Parent Group.

OUR BUSINESS MILESTONES

The following table illustrates the key milestones of our corporate and business development:

Year	Milestone
2003	Acquired the Flying Eagle Woodlok Oil business, an early milestone of the development of our proprietary Chinese medicine business
2006	Obtained the exclusive distribution right of Contractubex, our first third-party brand product, from Merz, which put us in a leading position in the scar treatment category
2010	Acquired control of the Po Chai Pills business and added Po Chai Pills to our proprietary Chinese medicine portfolio, which significantly fueled our growth in the proprietary Chinese medicine segment
2014-2017	Acquired the Tong Tai Chung Woodlok Oil, Ho Chai Kung, Shiling Oil and Saplingtan businesses, which further enriched our own brand product portfolio
2018-2019	Obtained the exclusive distribution right of AIM Atropine Eye Drops in Hong Kong, Macau and Singapore

Year	Milestone
2018-2019	Acquired control of the Orizen Group, which expanded our product coverage to include CCMG products
2019	Invested in Smartfish from Norway by way of subscription for 9.04% of the issued share capital of Smartfish to further enhance our relationship with Smartfish
2020	Established a joint venture to distribute and sell Weisen-U (gastric tablets) to markets outside of Greater China and develop new product lines in other therapeutic areas under the brand "Weisen-U" for Asia
2020	Invested in a jointly controlled entity established by our Hong Kong Distributor to collaborate with a renowned PRC state-owned conglomerate (with an international business foothold as well as listed subsidiaries in both Hong Kong and China) under a joint venture arrangement to undertake the distributorship of our Po Chai Pills in China

MAJOR SUBSIDIARIES

The principal business activities and dates of establishment and commencement of business of those of our subsidiaries which made a material contribution to our results of operations during the Track Record Period are shown below:

Name of entity	Principal business activities	Place of establishment	Date of establishment and commencement of business
HCK Medicine	Manufacturing and sale of branded medicines	Hong Kong	September 23, 1966
Jacobson Medical	Trading of branded healthcare products	Hong Kong	October 15, 1996
Jetstar	Manufacturing and sale of proprietary Chinese medicines	Hong Kong	October 8, 1991
Karen Pharma	Manufacturing and sale of branded medicines	Hong Kong	December 10, 1982
LCST (Holdings)	Manufacturing and sale of proprietary Chinese medicines	Hong Kong	January 8, 1988
PCCH	Sale of CCMG products	Hong Kong	March 26, 2003
Singmalay	Manufacturing and sale of proprietary Chinese medicines	Hong Kong	July 29, 1998

We have adopted a relatively extensive group structure whereby group companies are established and/or structured into sub-groups in accordance with our business segments, the main product brands operated thereunder and our operational structure. This shareholding structure enables us to more effectively manage, monitor and evaluate the performance of our business segments and product brands, and tailor our operational and business strategies for each of these business segments and product brands.

MAJOR ACQUISITIONS AND DISPOSALS

Acquisition of the Orizen Group

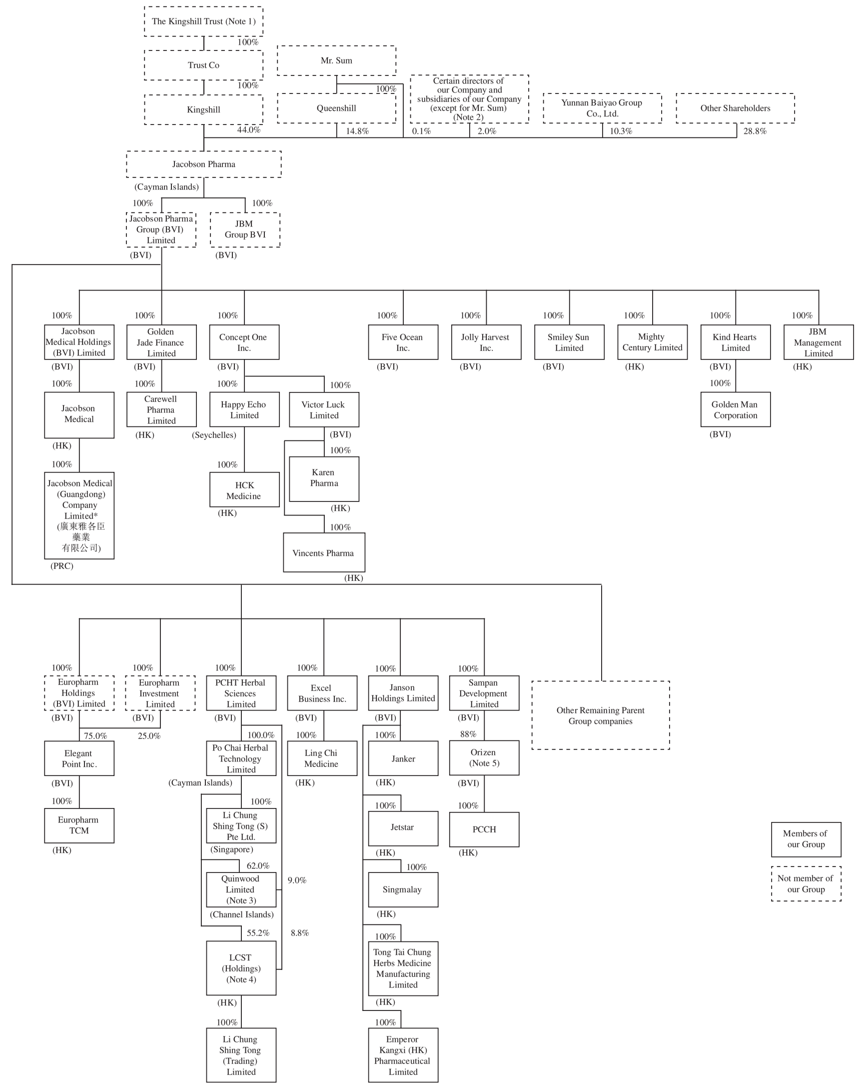
On July 11, 2018, we acquired 45% of the issued shares of Orizen from Mr. Law and a second vendor, both were at the relevant time Independent Third Parties, for a consideration of HK$118.7 million, as a result of which the Orizen Group became associated companies of our Group. The said acquisition was completed and the consideration was fully settled as of July 11, 2018. On August 6, 2019, we acquired an additional 43% of the total issued shares of Orizen for a consideration of HK$113.4 million from the same vendors and a third vendor who was an Third Party Independent, as a result of which our shareholding interests in Orizen increased to 88% and the Orizen Group became subsidiaries of our Group. The said acquisition was completed and the consideration was fully settled as of August 6, 2019. The consideration for two acquisitions was determined after arm's length negotiations with reference to (i) the future growth prospect and strategic development of the business of the Orizen Group; and (ii) the historical financial performance of the Orizen Group.

As part of our Reorganization, on July 30, 2020, we acquired an additional 10% of the issued shares of Orizen from Ms. Yang, who became a shareholder of the abovementioned second vendor in December 2018 and subsequently became a direct shareholder of Orizen in September 2019. For further information, see the section headed "— Reorganization" below.

The acquisition of the Orizen Group represented a compelling opportunity for our Group to expand our proprietary Chinese medicine offerings to include CCMG products and its customer base to Chinese medicine practitioners in Hong Kong.

REORGANIZATION

The following chart illustrates the corporate and shareholding structure of (i) our Group and (ii) the Remaining Parent Group immediately before commencement of the Reorganization:



Notes:

(1) Kingshill is wholly-owned by Trust Co under The Kingshill Trust, a discretionary trust established by Mr. Sum (as the settlor) with Mr. Sum and his family members as the discretionary beneficiaries.

(2) Includes four Directors, namely Wong Yat Wai, Patrick, Dr. Chu Ka Wing, Yim Chun Leung and Yeung Kwok Chun, Harry, and three directors of our Group at subsidiary level, namely Ms, Yang, Lee Karen and Wong Ka Kin, Andy.

(3) Quinwood Limited was owned as to 8%, 9%, 4% and 8% by Lee Karen, Lee Kui Nang Solomon, Li Tai Sang Albert and Lee Cheung Nang Alfred respectively, each an Independent Third Party, save as Lee Karen being a director of our Group at subsidiary level.

(4) LCST (Holdings) was owned as to 9.6%, 8.8%, 4.8%, 8.0%, 2.8% and 2% by Lee Cheung Nang Alfred, Lee Kui Nang Solomon, Li Tai Sang Albert, Leung Chi Kin, Lee Karen and Lee Karen & Leung Chi Kin respectively, each an Independent Third Party, save as Lee Karen being a director of our Group at subsidiary level.

(5) Orizen was owned as to 10% and 2% by Ms. Yang, a director of our Group at subsidiary level, and Mr. Law, an Independent Third Party, respectively.

In preparation for the Listing, our Group underwent a number of Reorganization steps as summarized below:

Incorporation of our Company, JBM BVI and JBM PCM

Prior to the Reorganization, our business was conducted through and operated under the PCM Companies and Non-PCM Companies and their respective subsidiaries. As part of our Reorganization, our Company was incorporated in the Cayman Islands on January 7, 2020 to become the holding company of our Group. In addition, JBM BVI and JBM PCM were incorporated as subsidiaries of our Company in the BVI on January 15, 2020 and February 12, 2020, respectively, to become the holding company of the Non-PCM Companies and PCM Companies, respectively.

Transfer of the branded healthcare business

In March 2020, the shareholders (each a subsidiary of Jacobson Pharma) of each of the Non-PCM Companies and the PCM Companies each transferred (i) its entire shareholding interests in each of the Non-PCM Companies to JBM BVI; and (ii) its entire shareholding interests in each of the PCM Companies to JBM PCM (the "**Companies Transfer**") with the consideration being the book costs of each of the Non-PCM Companies and the PCM Companies respectively.

On March 31, 2020, our Company agreed with JBM Group BVI to capitalize certain amount due to JBM Group BVI (including the consideration of the Companies Transfer) with the allotment and issue of a total of 900,000 Shares to JBM Group BVI.

Capitalization Issue

In preparation for the Jacobson Pharma Distribution, our Company allotted and issued a total of 721,000,000 Shares on July 24, 2020, by way of capitalization of share premium of our Company, to JBM Group BVI. Upon completion of the Capitalization Issue, JBM Group BVI held a total of 722,000,000 Shares.

Acquisition of minority interest in Orizen

On July 27, 2020, our Company, Sampan and Ms. Yang (a minority shareholder of Orizen and a director of our Group at subsidiary level) entered into a share purchase agreement pursuant to which Sampan agreed to purchase a total of 10 shares, representing 10% of the total number of shares issued by Orizen, from Ms. Yang at the consideration of HK$30 million. The consideration was determined at arm's length negotiations with reference to (i) the future growth prospect and strategic development of the Chinese medicine business of the Orizen Group and (ii) the historical financial performance of the Orizen Group and was fully settled by the issuance and allotment of 30,000,000 consideration Shares by our Company to Ms. Yang on July 30, 2020 at the price of HK$1.00 per Share. The allotment price was based on the same subscription price per Share and the same valuation of which the Share Subscription was made by the Strategic Investors. Upon completion of the acquisition, Ms. Yang ceased to be a shareholder of Orizen but remained a director of our Group at subsidiary level.

SHARE SUBSCRIPTION BY STRATEGIC INVESTORS

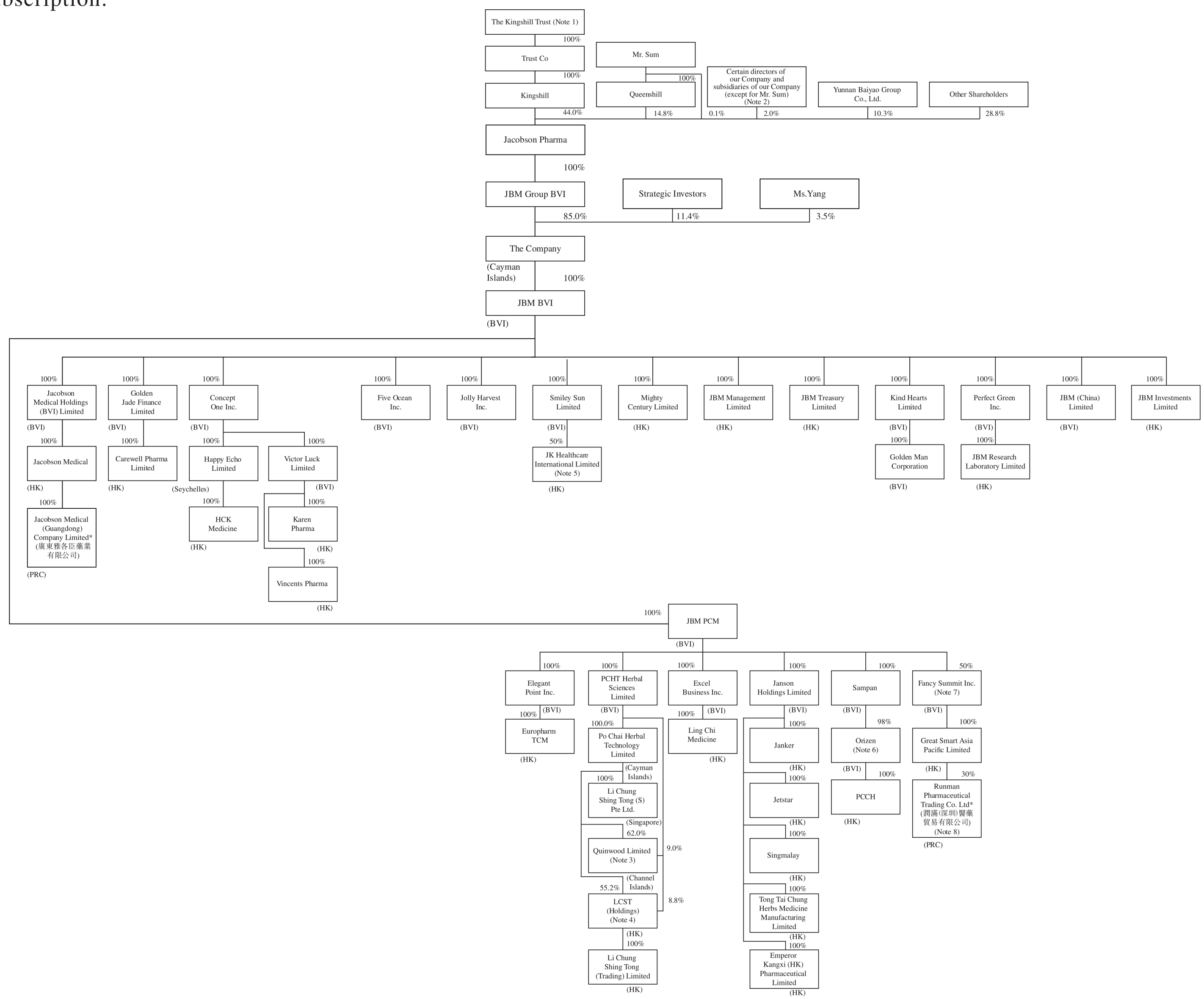
On July 27, 2020, the Strategic Investors, JBM Group BVI and our Company entered into the Subscription Agreements, pursuant to which our Company agreed to issue a total of 97,000,000 Shares to the Strategic Investors for an aggregate consideration of HK$97 million, representing a subscription price of HK$1.00 per Share. The subscription price for the Share Subscription was determined at arm's length negotiations with reference to the business valuation of our Group prepared by an independent professional valuer based on the market approach. The Share Subscription was completed and the consideration for the Share Subscription was fully and irrevocably settled by July 30, 2020.

Immediately after completion of the Share Subscription, our Company's shareholding structure was as follows:

Shareholder	Numbers of shares held in our Company	Shareholding percentage
		(approximate)
JBM Group BVI	722,000,000	85.0%
Ms. Yang	30,000,000	3.5%
New Heritage Healthcare Limited	42,000,000	4.9%
Gold Century Assets Limited	35,000,000	4.1%
Profit Cape Limited	20,000,000	2.4%
Total	849,000,000	100.00%

For further details of the Share Subscription, see the section headed "— Pre-IPO Investments" below.

The following chart illustrates the corporate and shareholding structure of our Group immediately after completion of the Reorganization and the Share Subscription:



Notes:

(1) Kingshill is wholly-owned by Trust Co under The Kingshill Trust, a discretionary trust established by Mr. Sum (as the settlor) with Mr. Sum and his family members as the discretionary beneficiaries.

(2) Includes five Directors, namely Wong Yat Wai, Patrick, Dr. Chu Ka Wing, Yim Chun Leung, Yeung Kwok Chun, Harry and Chan Kam Chiu, Simon, and three directors of our Group at subsidiary level, namely Ms. Yang, Lee Karen and Wong Ka Kin, Andy.

(3) Quinwood Limited is owned as to 8%, 9%, 4% and 8% by Lee Karen, Lee Kui Nang Solomon, Li Tai Sang Albert and Lee Cheung Nang Alfred respectively, each an Independent Third Party, save as Lee Karen being a director of our Group at subsidiary level.

(4) LCST (Holdings) is owned as to 9.6%, 8.8%, 4.8%, 8.0%, 2.8% and 2% by Lee Cheung Nang Alfred, Lee Kui Nang Solomon, Li Tai Sang Albert, Leung Chi Kin, Lee Karen and Lee Karen & Leung Chi Kin respectively, each an Independent Third Party, save as Lee Karen being a director of our Group at subsidiary level.

(5) JK Healthcare International Limited is a jointly-controlled entity (but not a subsidiary) of the Company. The remaining 50% of the shareholding interests in JK Healthcare International Limited is owned by Kin Fung Weisen-U Company Limited, which in turn is wholly-owned by Gold Century Assets Limited, one of the Strategic Investors. Each of Gold Century Assets Limited and Kin Fung Weisen-U Company Limited is an Independent Third Party.

(6) Orizen is owned as to 2% by Mr. Law, an Independent Third Party.

(7) Fancy Summit Inc. is a jointly-controlled entity (but not a subsidiary) of the Company. The remaining 50% of the shareholding interests in Fancy Summit Inc. is owned by Fame Bloom Trading Limited, a wholly-owned subsidiary of Tycoon Group Holdings Limited (stock code: 3390), our Hong Kong Distributor (and the parent company of one of our Strategic Investors, Profit Cape Limited). Fame Bloom Trading Limited is an Independent Third Party.

(8) Runman Pharmaceutical Trading Co., Ltd. is ultimately owned as to 70% by a renowned PRC state-owned conglomerate (with an international business foothold as well as listed subsidiaries in both Hong Kong and China), an Independent Third Party.

THE JACOBSON PHARMA DISTRIBUTION AND THE PUBLIC OFFER

Subject to the Public Offer becoming unconditional and assuming the shareholding of Jacobson Pharma as of the Latest Practicable Date remains unchanged on the Record Date, 241,777,625 Shares held by JBM Group BVI will be the subject of the Jacobson Pharma Distribution, which shall be distributed to (i) the Qualifying Jacobson Pharma Shareholders on the basis of one Share for every eight Jacobson Pharma Shares held as of the Record Date; and (ii) a nominee selected by the board of directors of Jacobson Pharma who will sell such Shares for and on behalf of the Non-Qualifying Jacobson Pharma Shareholders. For details of the Jacobson Pharma Distribution, see the section headed "Jacobson Pharma Distribution and the Spin-off."

Immediately after completion of the Jacobson Pharma Distribution and the Public Offer, our Company's shareholding structure (assuming the shareholding of Jacobson Pharma as of the Latest Practicable Date remains unchanged on the Record Date) will be as follows:

Shareholder	Numbers of shares held in our Company	Shareholding percentage
		(approximate)
JBM Group BVI	480,222,375	53.7%
Lincoln's Hill[1]	106,335,500	11.9%
Queenshill	35,786,500	4.0%
Mr. Sum	250,000	0.03%
Ms. Yang[2]	30,237,500	3.4%
Directors of our Company and our subsidiaries (Other than Mr. Sum and Ms. Yang)	4,659,250	0.5%
Public Shareholders		
New Heritage Healthcare Limited[3]	46,166,875	5.2%
Gold Century Assets Limited	35,000,000	3.9%
Profit Cape Limited	20,000,000	2.2%
Other Public Shareholders	135,028,000	15.1%
Total	**893,686,000**	**100%**

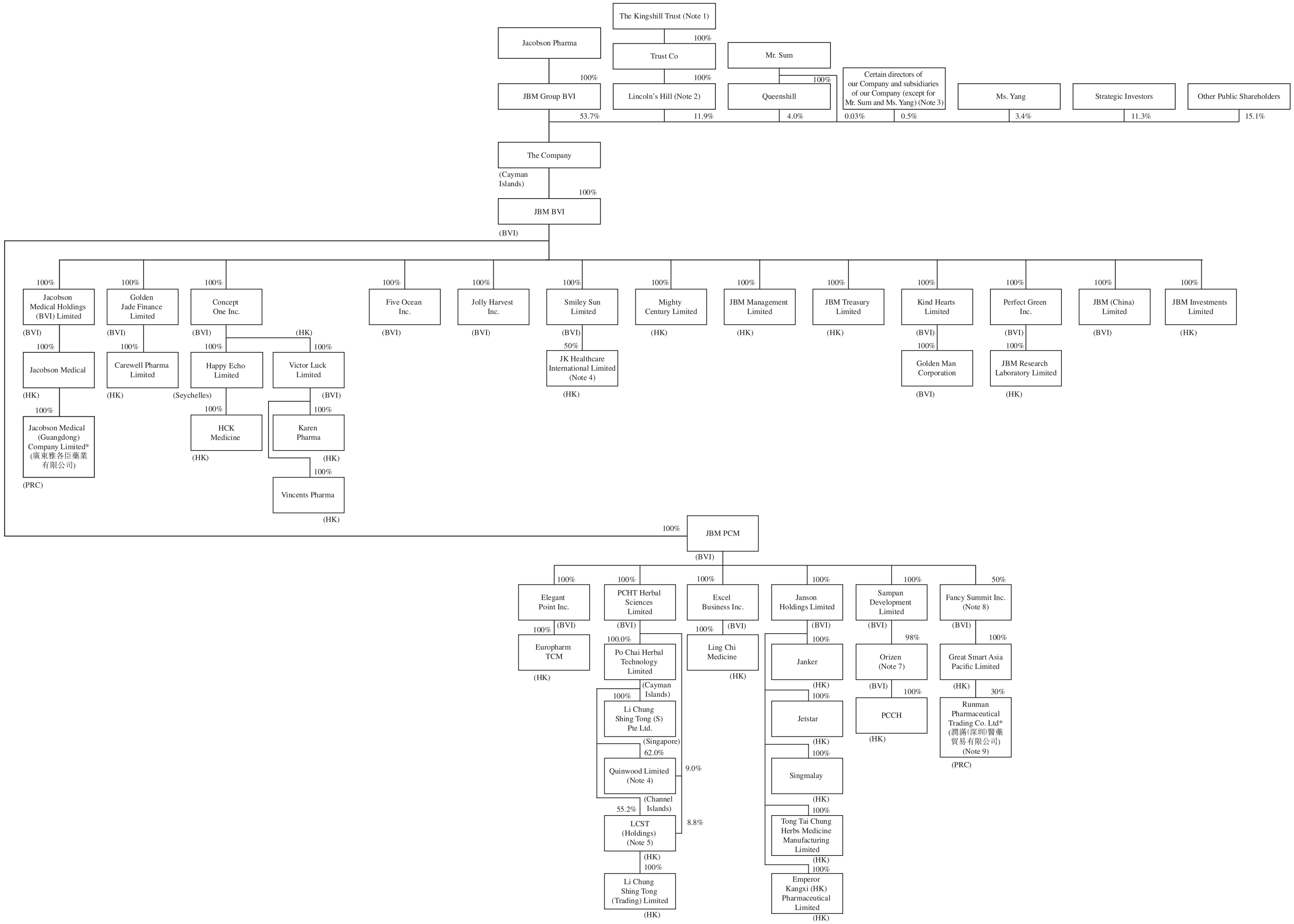
Note:

(1) Pursuant to the Jacobson Pharma Distribution, Kingshill is entitled to receive 106,335,500 Shares. Kingshill will nominate Lincoln's Hill (a fellow subsidiary under Trust Co) to receive the 106,335,500 Shares entitled by Kingshill under the Jacobson Pharma Distribution for the purpose of trust asset management of the Kingshill Trust.

(2) As of the Latest Practicable Date, Ms. Yang held a total of 1,900,000 Jacobson Pharma Shares and is therefore entitled to receive 237,500 Shares pursuant to the Jacobson Pharma Distribution.

(3) As of the Latest Practicable Date, New Heritage Healthcare Limited held a total of 33,335,000 Jacobson Pharma Shares and is therefore entitled to receive 4,166,875 Shares pursuant to the Jacobson Pharma Distribution.

The following chart illustrates the corporate and shareholding structure of our Group immediately after completion of the Jacobson Pharma Distribution and the Public Offer (assuming the shareholding of Jacobson Pharma as of the Latest Practicable Date remains unchanged on the Record Date):



Notes:

(1) Lincoln's Hill is wholly-owned by Trust Co under The Kingshill Trust, a discretionary trust established by Mr. Sum (as the settlor) with Mr. Sum and his family members as the discretionary beneficiaries.

(2) Pursuant to the Jacobson Pharma Distribution, Kingshill is entitled to receive 106,335,500 Shares. Kingshill will nominate Lincoln's Hill (a fellow subsidiary under Trust Co) to receive the 106,335,500 Shares entitled by Kingshill under the Jacobson Pharma Distribution for the purpose of trust asset management of the Kingshill Trust.

(3) Includes five Directors, namely Wong Yat Wai, Patrick, Dr. Chu Ka Wing, Yim Chun Leung, Yeung Kwok Chun, Harry and Chan Kam Chiu, Simon, and two directors of our Group at subsidiary level, namely Lee Karen and Wong Ka Kin, Andy.

(4) Quinwood Limited is owned as to 8%, 9%, 4% and 8% by Lee Karen, Lee Kui Nang Solomon, Li Tai Sang Albert and Lee Cheung Nang Alfred respectively, each an Independent Third Party, save as Lee Karen being a director of our Group at subsidiary level.

(5) LCST (Holdings) is owned as to 9.6%, 8.8%, 4.8%, 8.0%, 2.8% and 2% by Lee Cheung Nang Alfred, Lee Kui Nang Solomon, Li Tai Sang Albert, Leung Chi Kin, Lee Karen and Lee Karen & Leung Chi Kin respectively, each an Independent Third Party, save as Lee Karen being a director of our Group at subsidiary level.

(6) JK Healthcare International Limited is a jointly-controlled entity (but not a subsidiary) of the Company. The remaining 50% of the shareholding interests in JK Healthcare International Limited is owned by Kin Fung Weisen-U Company Limited, which in turn is wholly-owned by Gold Century Assets Limited, one of the Strategic Investors. Each of Gold Century Assets Limited and Kin Fung Weisen-U Company Limited is an Independent Third Party.

(7) Orizen is owned as to 2% by Mr. Law, an Independent Third Party.

(8) Fancy Summit Inc. is a jointly-controlled entity (but not a subsidiary) of the Company. The remaining 50% of the shareholding interests in Fancy Summit Inc. is owned by Fame Bloom Trading Limited, a wholly-owned subsidiary of Tycoon Group Holdings Limited (stock code: 3390), our Hong Kong Distributor (and the parent company of one of our Strategic Investors, Profit Cape Limited). Fame Bloom Trading Limited is an Independent Third Party.

(9) Runman Pharmaceutical Trading Co., Ltd. is ultimately owned as to 70% by a renowned PRC state-owned conglomerate (with an international business foothold as well as listed subsidiaries in both Hong Kong and China), an Independent Third Party.

PRE-IPO INVESTMENTS

As described in the section headed "— Reorganization" above, on July 27, 2020, the Strategic Investors, JBM Group BVI and our Company entered into the Subscription Agreements, pursuant to which our Company agreed to issue a total of 97,000,000 Shares to the Strategic Investors.

Principal terms of the Pre-IPO Investments

The principal terms of the Pre-IPO Investments are set forth below:

	Share Subscription
Pre-IPO Investors:	Strategic Investors
Date of investment agreements:	July 27, 2020
Date on which the investment was fully and irrevocably settled:	July 30, 2020
Total number of Shares:	97,000,000 Shares
Total consideration:	HK$97,000,000
Investment cost per Share:	HK$1.00
Discount to the Offer Price:	16.7%

	Share Subscription
Basis of determining the consideration	Determined at arm's length negotiations with reference to the business valuation of us prepared by an independent professional valuer based on the market approach
Lock-up period:	From completion of the Share Subscription until six months after the Listing
Special rights:	Each Strategic Investor is entitled to a right to put back their respective Subscription Shares to JBM Group BVI at the subscription price under the Subscription Agreements, which is exercisable by the Strategic Investors if Listing does not take place by September 30, 2021. Such right will terminate upon Listing
Use of proceeds from the Pre-IPO Investments:	The proceeds from the Share Subscription were utilized for our general working capital purposes. As of the Latest Practicable Date, all of the proceeds had been utilized.
Strategic benefits:	We are of the view that our Company can benefit from the Share Subscription by receiving additional general working capital, and the investment from Strategic Investors with substantial investment experience demonstrates their confidence in our Group's operation and serves as an endorsement of our Company's strengths and prospects.
Respective shareholding in our Company held by each of the Strategic Investors immediately after the completion of the Public Offer	See the section headed "— The Jacobson Pharma Distribution and the Public Offer" above.

Background of the Strategic Investors

New Heritage Healthcare Limited

New Heritage Healthcare Limited is a company incorporated under the laws of the BVI with limited liability. New Heritage Healthcare Limited is ultimately owned by Richard Tao, Paul Tao and other family members (collectively, the "**Tao Family**"). The Tao Family used to be the controlling shareholder of New Heritage Holdings Ltd. (stock code: 0095), a company listed on the Main Board of the Stock Exchange, before the Tao Family subsequently divested its controlling interests in 2014. The Tao Family has had long term experience in real estate development and investment, and more recently expanded its investment portfolio to technology, healthcare, finance and logistics.

New Heritage Healthcare Limited was one of the cornerstone investors of Jacobson Pharma during its global offering in 2016 and an existing shareholder of Jacobson Pharma.

Gold Century Assets Limited

Gold Century Assets Limited is a company incorporated under the laws of the BVI with limited liability and is wholly-owned by Lun Hung Gai. Kin Fung Weisen-U Company Limited is wholly-owned by Gold Century Assets Limited and is a joint venture partner of our Group. Kin Fung Weisen-U Company Limited is principally engaged in the development of gastrointestinal and respiratory pharmaceutical drugs and is the brand owner of Weisen-U.

Profit Cape Limited

Profit Cape Limited is a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of Tycoon Group Holdings Limited (stock code: 3390), a company listed on the Stock Exchange engaging in the business of selling and distributing health and well-being related products in Hong Kong, China, Macau and Singapore. Jacobson Pharma is a minority shareholder of Tycoon Group Holdings Limited, our Hong Kong Distributor, which is also the parent company of our joint venture partner in a jointly controlled entity.

Compliance with Interim Guidance and Guidance Letters

The Sole Sponsor confirms that the Pre-IPO Investments are in compliance with the Guidance Letter HKEx-GL29-12 issued in January 2012 and updated in March 2017 by the Stock Exchange, and Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 and in March 2017 by the Stock Exchange.

PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. Except for the Shares held by JBM Group BVI, Lincoln's Hill, Queenshill, Mr. Sum, Ms. Yang and other directors of our Company and our subsidiaries, the Shares held by our other Shareholders (including the Strategic Investors) upon Listing will be counted towards the public float.

PRC REGULATORY REQUIREMENTS

SAFE Circular 37

The SAFE Circular 37, which replaced the former SAFE Circular 75, requires PRC residents to register with local branches of SAFE with regard to their establishment or indirect control of an offshore entity established for the purpose of overseas investment and financing. SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to, among others, the special purpose vehicle, the domestic individual resident shareholder, operating period, capital and merger or division events. As of the Latest Practicable Date, our Controlling Shareholder, JBM Group BVI, is not a PRC resident required to conduct registration pursuant to the requirement of SAFE Circular 37.

OVERVIEW

We are a leading Hong Kong-based company that markets and distributes branded healthcare products with product footprint across Greater China, Southeast Asia and other select countries. In 2019, we ranked fourth by revenue among brand operators that carry both OTC proprietary medicines and OTC proprietary Chinese medicines in Hong Kong, according to the Frost & Sullivan Report. Our portfolio includes a wide range of branded healthcare products divided into two product categories, namely consumer healthcare and proprietary Chinese medicines. Our consumer healthcare products consist of branded medicines, which are proprietary medicines primarily distributed over-the-counter, and health and wellness products. Our proprietary Chinese medicines consist of OTC proprietary Chinese medicines and CCMG products.

Our ability to introduce and commercialize well-established branded healthcare products and manage the brands effectively is key to our success. As at March 31, 2020, we carried 20 principal brands (identified as our top 20 brands in terms of revenue contribution during the financial year), including 11 third-party brands and 9 own brands as primarily illustrated below, which together accounted for 94.3% of our total revenue for that financial year:

We deploy dual engines to support our business developments and growth of our product portfolio: (i) organic business growth through the sourcing of quality third-party brand products, as well as the development of product line extensions; and (ii) strategic acquisitions of and investments in synergetic brands, including Flying Eagle Woodlok Oil in 2003, Po Chai Pills in 2010, and Shiling Oil and Ho Chai Kung in 2017. For products that are new to a market, we employ a consumer-driven approach. We analyze the landscape of the target market and end-consumer base to determine our brand value proposition and formulate integrated branding strategies to increase sales and reinforce brand loyalty. Meanwhile, for our heritage household brands, we strive to rejuvenate their brand positioning to adapt to the changing demographics and consumer behaviors. Our multi-channel online and offline marketing initiatives have enabled us to establish continuous direct communication with end consumers and gather valuable market insights to drive our brand positioning strategies and product development initiatives.

We have established an extensive sales and distribution network in Hong Kong, with a geographical reach spanning over China, Macau, Taiwan and select countries in Southeast Asia, Europe, North America and the Caribbean Islands. We adopt a hybrid of sales and distribution models tailored for different products and geographic markets. In Hong Kong, we sell our products both directly and indirectly (through our Hong Kong Distributor and our trading company customers) to major modern trade chain stores, registered pharmacies and drug stores, as well as corporate clients, hospitals and clinics, and end consumers (through online platforms). In addition, we sell 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 in 2019, according to the Frost & Sullivan Report), and from time to time, to non-profit organizations. Outside of Hong Kong, we sell selected products primarily through distributorship and wholesaling arrangements. Moreover, leveraging the favorable cross-border e-commerce policy development in China, we have been actively deploying efforts and resources in the development of cross-border e-commerce channels, including our own online store and other third-party online stores, for our select branded healthcare products. We have been cultivating the regional markets for years and established solid local distribution networks and collaborative relationships with select product originators. We believe we are well-positioned to develop a sustainable regional platform in Asia for branded healthcare products.

Professionalism has been at the core of our corporate culture. In addition to a core management team of technically seasoned industry veterans, we also attract talents with pharmaceutical or medical backgrounds that enable us to identify and secure third-party brand products that have a niche in the market, and ensure that they are safe and are of high efficacy and quality, often researched and supported by clinical studies. We enforce stringent quality assurance and control covering a wide range of activities, including procurement, manufacturing, release of finished products, stability studies, and validation and qualification of equipment and facilities. As of the Latest Practicable Date, we remained as one of the few GMP-accredited proprietary Chinese medicine manufacturers in Hong Kong, according to the Frost & Sullivan Report.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and distinguish us from our competitors:

A leading Hong Kong-based brand operator with a notable and growing brand portfolio and proven brand management capability

We were the fourth largest brand operator that carries both OTC proprietary medicines and OTC proprietary Chinese medicines in Hong Kong in 2019 by revenue, according to the Frost & Sullivan Report. Our focus on brand management and portfolio development has enabled us to build a notable and growing brand portfolio. As at March 31, 2020, we carried a total of 20 principal brands, including 11 third-party brands and 9 own brands. These third-party brands mainly consist of 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 of Taiwan. Our own brands also include highly recognized household brands among Chinese consumers, such as Po Chai Pills (保濟丸), Tong Tai Chung (唐太宗) and Ho Chai Kung (何濟公), as well as a leading CCMG brand among Chinese medicine practitioners in Hong Kong in 2019 according to the Frost & Sullivan Report. These 20 principal brands together accounted for 94.3% of our total revenue for the year ended March 31, 2020. Leveraging the success of our existing brand portfolio, we believe we will be able to continue to strengthen our product offerings.

A cornerstone of our success lies in our proven capability in brand management and portfolio development. We approach brand management and portfolio development generally through conducting market surveys and analyzes on the landscape of target markets and end consumer preferences, developing our brand value proposition, and formulating integrated brand strategies with multi-channel marketing initiatives to increase sales and reinforce brand loyalty. We have established a track record of introducing category-leading overseas branded healthcare products to local markets. For example, we became a pioneer of the scar treatment market in Hong Kong by introducing Contractubex to market in 2006, which has successfully addressed a then market gap and become one of the most recognizable scar treatment products in Hong Kong, with 76% of the interviewed consumers stating Contractubex as their preferred scar treatment brand, according to a Nielsen survey conducted in 2019 commissioned by us. In addition, we have successfully launched BITE-X, which is a nail-biting and thumb-sucking prevention product recommended by over 90% of interviewed parents, according to an independent survey commissioned by us in 2019. Meanwhile, we also revitalize the brand positioning of our heritage household brands based on changing demographics and consumer behaviors. For example, we have rejuvenated the brand positioning and marketing strategies of Po Chai Pills, which had the largest market share in the gastrointestinal OTC proprietary Chinese medicine market in Hong Kong in 2019, according to the Frost & Sullivan Report. We believe our brand management capability is among our core competitive advantages in the branded healthcare market.

A unique field player with a heritage of pharmaceutical background and quality-driven culture of Jacobson Pharma

Jacobson Pharma was the leading generic drug company in Hong Kong in 2019, according to the Frost & Sullivan Report. As its subsidiary, we are a unique field player with drug expertise and a heritage that continues to foster a corporate culture of prioritizing product efficacy and quality. We attract industry talents with pharmaceutical or medical backgrounds that enable us to identify and secure third-party brands and products with a niche in the market and, in particular, target cosmeceutical and nutraceutical products that are researched and supported by clinical studies. We believe third-party brand owners and product originators are also more inclined to choose to partner with us because of the ethical and trustworthy reputation and high market standing of the Jacobson Pharma Group in the pharmaceutical sector. As a result, we have been successful in sourcing clinical evidence-based products, such as AIM Atropine Eye Drops (which are clinically proven to help slow down the progression of childhood myopia), Oncotype DX Breast Recurrence Score® assay (a genomic-based breast cancer diagnostic test) and Smartfish nutraceutical products (with patented Smartfish emulsion technology that enables the products to provide high dose, oxidation-protected Omega 3 fatty acids to deliver various health benefits), which differentiate our market positioning and reputation from most brand operators.

In addition, we adhere to the high standard of quality control inherited from an ethical pharmaceutical company. As of July 31, 2020, we had a total of 32 experienced quality management personnel who are responsible for establishing and implementing strict quality management procedures to ensure that the third-party brand products we source and our own brand products are safe and of high quality. As of the Latest Practicable Date, we remained as one of the few GMP-accredited proprietary Chinese medicine manufacturers in Hong Kong, according to the Frost & Sullivan Report. We believe our long track record of providing reliable and quality products will position us to capture any future market opportunities.

Dual engines of growth through sourcing and development of category-leading products and acquisitions of synergetic brands

We have a long proven track record of deploying dual engines to support our business developments. We have a specialized product development team with relevant regional industry knowledge. We organically grow our business through our in-depth understanding and clear vision of healthcare trends and categories with market space, as well as identifying product candidates or development with fitting allure and efficacy attributes. We secure third-party brand products through a professional and knowledge-driven sourcing methodology and have successfully introduced category-leading overseas branded healthcare products. More recently, we have expanded our collaboration with the owner of several of our principal third-party brands both in terms of product and geographical representation. For our own brand products, our product development and business development teams work closely together to leverage our market insights and product development know-how to cater for new and evolving demands in the market. The majority of our own brand products are OTC proprietary medicines and OTC proprietary Chinese medicines with long established proprietary formulations based on ancient prescriptions, pharmacopeia prescriptions or customary Chinese prescriptions. Tailored to the characteristics of our own brand product portfolio, we focus our product development efforts primarily on product line extensions, formulation variations and formulation refinements upon identifying a need in a refined segment of a product market, as further described in the section headed "— Development and Manufacture of Own Brand Products — Product Development" below.

Apart from sourcing and developing new products to grow our business, we have also demonstrated our consistent ability to realize synergies through strategic acquisitions and investments. We have successfully expanded our own brand portfolio through acquisition and integration of attractive branded healthcare products, including Flying Eagle Woodlok Oil in 2003, Po Chai Pills in 2010, and Shiling Oil and Ho Chai Kung in 2017. We have also made strategic investments which are in line with our growth and business directions, including (i) our investment in Smartfish in 2019, the third-party brand owner of one of our top-10 health and wellness products during the Track Record Period; (ii) our establishment of a joint venture in 2020 to distribute Weisen-U (gastric tablets) to markets outside of Greater China and develop new product lines in other therapeutic areas under the brand "Weisen-U" for Asia; and (iii) our investment in a jointly controlled entity in 2020 established by our Hong Kong Distributor to collaborate with a renowned PRC state-owned conglomerate (the "**PRC JV Partner**") under a joint venture arrangement to undertake the distributorship of our Po Chai Pills in China as part of our strategy to further cultivate the PRC market, collect market intelligence, strengthen our PRC distribution channels and increase product penetration.

Extensive sales and distribution network in Hong Kong with multi-region geographical reach

We have established an extensive sales and distribution network in Hong Kong, with a geographical reach spanning over China, Macau, Taiwan and select countries in Southeast Asia, Europe, North America and the Caribbean Islands. We adopt a hybrid of sales and distribution models tailored for different products and geographic markets.

In Hong Kong, we sell our products both directly and indirectly (through our Hong Kong Distributor and our trading company customers) to major modern trade chain stores, registered pharmacies and drug stores, as well as corporate clients, hospitals and clinics, and end consumers (through online platforms). In addition, we sell 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 in 2019, according to the Frost & Sullivan Report), and from time to time, to non-profit organizations. Our stable business relationships with key retailers and our Hong Kong Distributor, coupled with our reputation in delivering high quality products and our wide distribution network, have enabled us to generate effective retail penetration and commercialization of our new products.

Outside of Hong Kong, we sell products primarily through distributorship and wholesaling arrangements. We generally engage one to two well-established overseas distributors or wholesalers in each country or region for the distribution of our selected products and have maintained long-term business relationship with them. For years we have been cultivating regional markets outside of Hong Kong and have established solid local distribution networks and collaborative relationships with select product originators. We believe we are well-positioned to leverage our geographical presence and develop a sustainable regional platform in Asia for branded healthcare products.

Seasoned management team with in-depth industry knowledge and regional experience

Our core management team comprises a group of technically seasoned industry veterans with a strong track record and proven execution capabilities. Professionalism has been at the core of our corporate culture and the vast majority of our Directors and senior management team, who on average have approximately 25 years of relevant industry experience, are registered pharmacists or have pharmaceutical or medical academic backgrounds. Their technical backgrounds are crucial to the success of our knowledge-driven sourcing methodology in identifying attractive products and acquisition opportunities. In addition, certain of our senior management had prior experience in large modern trade establishments and listed multi-national companies. Several of them are also closely connected to the branded healthcare community or hold advisory roles in relevant government, academic institutions and professional associations in Hong Kong.

In particular, we are led by Wong Yat Wai, Patrick, an executive Director and the chief executive officer of our Company, who has over 32 years of experience in the healthcare business sector and in business development covering markets in Asia, the Middle East and South America and holds a master's degree in medical sciences. He is responsible for our commercial operations and for overseeing our local and overseas business and the strategic development of our consumer healthcare products. Together with Mr. Wong, our executive Director and president of the proprietary Chinese medicines business, Dr. Chu Ka Wing, play instrumental roles in our overall business growth. Dr. Chu is responsible for the operations and business development of our proprietary Chinese medicine business. He has over 18 years of experience in the pharmaceutical industry and is proficient in life sciences holding multiple patents in the medicinal area in both the United States and China. He is a registered pharmacist with a bachelor's degree in pharmacy and a Ph.D. degree from the Chinese University of Hong Kong and is an honorary adjunct assistant professor of the School of Pharmacy of the Chinese University of Hong Kong and a member of various government committees.

We believe our experienced senior management team has been and will continue to be key to our success in deployment of our dual engines of growth, allowing us to further integrate our regional resources and take advantage of new opportunities.

OUR BUSINESS STRATEGIES

Our mission is to enable better health through self-care. We intend to implement the following key business strategies:

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

PRC market demand for overseas healthcare products has increased in recent years as a result of the pursuit of quality products, greater healthcare awareness and aging population. Together with an increasingly structured and formalized cross-border e-commerce channel supported by favorable 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 pharmaceutical products e-commerce market in China reached HK$50.5 billion in 2019, representing a CAGR of 61.1% from 2015, and is forecasted to reach HK$452.2 billion by 2024, according to the Frost & Sullivan Report.

The ability to gain direct borderless access to sell our select branded healthcare products without additional registration requirements in China, if applicable, is one of the main attractions of the PRC cross-border e-commerce channel. This 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. As such, we intend to continue to actively deploy efforts and resources in the development of the following cross-border e-commerce initiatives:

- *Cross-border e-commerce presence*: There is a spectrum of business models in the cross-border e-commerce market that addresses a variety of market needs and preferences among different consumer groups. We intend to broaden our presence in cross-border e-commerce channels across a variety of popular platforms. We aim to explore opportunities to distribute products through our own and other third-party online stores. By engaging different cross-border e-commerce models, we seek to gain access to a wider online customer base.

- *Product offering*: We plan to carefully select products that are suitable for the PRC market based on consumer preferences, market trends and gaps. According to the Frost & Sullivan Report, traditional nutraceutical products with Chinese herbal ingredients, vitamins and dietary supplements account for the largest parts of the health and wellness industry in China. As such, we intend to offer eligible branded health products through cross-border e-commerce channels, such as personal care products, nutritional supplements and functional remedies.

- *Branding and marketing*: We intend to formulate integrated brand strategies to raise consumer awareness and profile of our brands and our own online store to support product launches and improve sales performance. We aim to optimize our online presence and enhance the visibility of our brand and products through multi-channel performance marketing initiatives, both online (such as search engine advertising, performance advertising, native advertising and KOL and influencer promotions on various online platforms) and offline (such as marketing quick response codes, or QR codes, in offline stores to draw traffic to our online stores).

We expect to fund the above strategy pursuit by our internal resources and, where appropriate, external financing.

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 intend to seek organic growth for our product portfolio and are contemplating multiple approaches, such as engaging in brand promotion and advertising activities to enhance brand loyalty, market standing, profile, image and consumer stickiness for our products, expanding our collaborations with strategic partners, upstream and downstream players in our business value chain, 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. In particular, for consumer healthcare products, we intend to target cosmeceutical and nutraceutical products in women's health and child care, and home diagnostic products. Furthermore, as industry trends, market preferences and consumer behaviors and habits change, we intend to adapt our product offerings and develop product line extensions by building on existing own brand products and their brand appeal, such as product line extensions under our Po Chai Pills brand, as well as our Dr. Freeman (醫臣) brand in the areas of home diagnostic, cold and flu, and hygienic and personal care.

In addition, we intend to pursue suitable opportunities to acquire synergistic businesses in line with our growth and business directions to enhance our existing product portfolio and increase local presence in other key markets for our products and business. When evaluating targeted businesses, we will assess the market potential, sales trend and commercial viability of their product portfolio, consider their reputation and industry experience, review the laboratory reports and other relevant research reports in respect of the functionality and quality of the products, and inspect their relevant qualifications.

The above strategy pursuit will be funded by our internally generated funds and supplemented by part of the proceeds from the Public Offer (approximately HK$5.0 million designated for our proprietary Chinese medicines segment have been allocated for this particular pursuit) and, where considered appropriate, external financing. For further details, see the section headed "Future Plans and Use of Proceeds — Use of Proceeds."

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

We have been cultivating the regional markets for years with footprint across Greater China and other select countries in Southeast Asia. In addition to distributing our products in these regions, we also source third-party brand products and secure third-party manufacturing arrangements for selected products in these regions. In the short-term, we intend to leverage our established local business relationships and networks to further enhance the on-the-ground presence of our products in the following countries or regions:

- *China*: In addition to increasing our online presence through the deployment of cross-border e-commerce initiatives as described above, we have established a joint venture with the PRC JV Partner (a renowned PRC state-owned conglomerate) through a jointly controlled entity with our Hong Kong Distributor and intend to leverage the sales and distribution network of the PRC JV Partner to increase our product penetration and explore other collaborative opportunities in China.

- *Taiwan*: We intend to expand our existing relationship with the third-party brand owner of AIM Atropine Eye Drops by authorizing its parent company, a Taiwanese pharmaceutical company established in 1945 with a sales and distribution network covering local medical treatment outlets, pharmacies and convenient stores, to distribute our select products in Taiwan. This will allow us to benefit from their established sales and distribution network and increase our market exposure in Taiwan.

- *South Korea*: Our third-party manufacturing partner for certain of our Dr. Freeman products is a seasoned healthcare company in South Korea, with vertically integrated operations encompassing research and development capabilities, GMP manufacturing facilities and sales and distribution network. 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.

Our long-term goal is to strengthen our geographical reach in Southeast Asia and capture its growing demand for health and wellness products. According to the Frost & Sullivan Report, the Southeast Asian health and wellness market size reached HK$66.2 billion in 2019, representing a CAGR of 7.1% from 2015, and is projected to reach HK$77.7 billion by 2024. We aim to extend our existing collaboration with third-party brand owners in terms of geographical representation to certain strategic Southeast Asian locations. Ultimately, we will seek to leverage on 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.

We expect to fund the above strategy pursuit by our internal resources and, where appropriate, external financing.

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

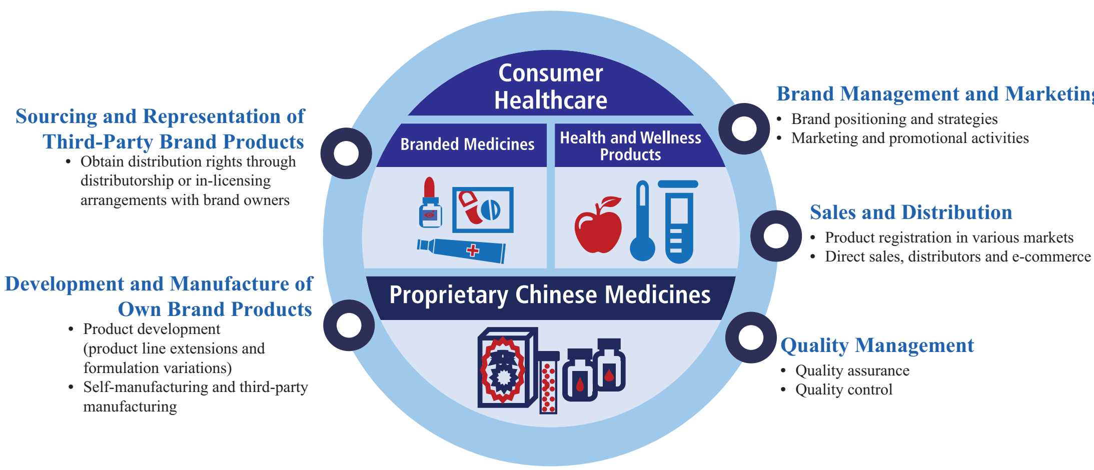
We have an extensive network of Chinese medicine practitioners in Hong Kong. According to the Frost & Sullivan Report, our own CCMG brand has been a leading brand among Chinese medicine practitioners in Hong Kong in 2019. We sell CCMG products to more than 3,000 Chinese medicine practitioners, which represented over 40% of the total number of active Chinese medicine practitioners in Hong Kong in 2019, according to the Frost & Sullivan Report. 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. We seek to utilize such insights to capture new business opportunities and capitalize on this distribution channel. In particular, we intend 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. We expect to fund the above strategy pursuit by our internal resources and, where appropriate, external financing.

OUR BUSINESS MODEL

We are a leading Hong Kong-based company that markets and distributes a large portfolio of branded consumer healthcare products (consisting of branded medicines and health and wellness products) and proprietary Chinese medicines. We pride ourselves as a brand incubator and manager, with a proven track record of introducing quality overseas branded products to our local markets, as well as rejuvenating heritage household brands to stimulate market demand and broaden their market appeal. We operate a vertically integrated business encompassing brand management and marketing, sourcing and representation of third-party brand products, development and manufacturing of own brand products, and sales and distribution. We highly value the brands and products we carry and uphold our reputation through our persistence in product safety, efficacy and quality.

The following diagram illustrates our branded healthcare business model, which is built upon five core competencies below:

Branded Healthcare Business Model



- *Brand management and marketing*: We manage a portfolio of well-established and trusted third-party brands and own brands and are committed to continually driving brand engagement and sales through our multi-channel marketing campaigns. Building on our market and consumer insights, we conduct a variety of marketing and promotional activities through a wide range of offline and online channels. In addition, we stimulate consumer communications and engagement to proactively acquire insights into the differing consumer preferences for various products and markets. We seek to use such insights to devise more precise product positioning and brand management strategies to improve our product appeal and consumer interests, and drive our product development initiatives.

- *Sourcing and representation of third-party brand products*: A majority of our consumer healthcare products are sourced from overseas third-party brand owners. As at March 31, 2020, we carried 11 principal third-party brands, the majority of which were sourced from Europe, including consumer healthcare products imported from reputable European GMP-accredited, ISO-certified or SGS-certified manufacturers. For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, 77.9%, 79.2%, 80.7% and 81.3% of the number of consumer healthcare products in our portfolio was sourced from third-party brand owners, respectively.

  We generally obtain exclusive distribution rights from the third-party brand owners with which we enter into distributorship or in-licensing agreements for the sale and distribution of the relevant products in selected geographic markets. For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, our sales of third-party brand products not under exclusive distribution arrangement accounted for 8.2%, 9.1%, 20.0% and 26.8% of our revenue from sales of third-party brand products, with a corresponding overall gross profit margin of 23.0%, 18.7%, 14.8% and 19.1%, respectively. The comparably higher percentage revenue contribution for the year ended March 31, 2020 and the four months ended July 31, 2020 and lower gross profit margin for the year ended March 31, 2020 were partly attributable to the increase in sales of certain personal hygiene products (such as face masks) that were sourced from third parties on an ad hoc basis to satisfy the surge in demand driven by the COVID-19 outbreak.

- *Development and manufacture of own brand products*: As at March 31, 2020, we owned nine principal brands of branded healthcare products. The majority of our own brand products are OTC proprietary medicines and OTC proprietary Chinese medicines with long established proprietary formulations based on ancient prescriptions, pharmacopeia prescriptions or customary Chinese prescriptions. We believe our ability to adapt our product portfolio to new and evolving consumer demands and regulatory requirements is a key to our competitiveness. Tailored to the characteristics of our own brand product portfolio, our product development efforts have been directed towards product line extensions, formulation variations and formulation refinements for targeted overseas markets and expansion into new markets. As these research and development activities do not involve development of new innovative patentable formulations or engagement of clinical trials, which are more typically associated with significant investments and expenditures, our research and development expenses during the Track Record Period were relatively immaterial.

  Apart from our own brand CCMG products which are outsourced to GMP-accredited third-party manufacturers for production, we manufacture most of the products under our principal own brands in-house. More particularly, revenue from sales of our self-manufactured own brand products accounted for 98.4% and 98.0% of our overall sales of own brand products in the years ended March 31, 2018 and 2019, respectively, which decreased to 74.3% and further to 56.5% in the year ended March 31, 2020 and the four months ended July 31, 2020, respectively, primarily as a result of the consolidation of revenue from sales of CCMG products (which are manufactured by third-party manufacturers) under the Orizen Group since August 2019. Excluding sales of CCMG products, revenue from sales of our self-manufactured own brand products accounted for 98.4%, 98.0%, 95.6% and 85.9% of our sales of non-CCMG own brand products during the same periods, respectively.

- *Sales and distribution*: We adopt a hybrid of sales and distribution models tailored for different products and geographic markets. In Hong Kong, we sell our products both directly and indirectly (through our Hong Kong Distributor and our trading company customers) to major modern trade chain stores, registered pharmacies and drug stores, as well as corporate clients, hospitals and clinics, and end consumers (through online platforms). In addition, we sell 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 in 2019, according to the Frost & Sullivan Report), and from time to time, to non-profit organizations. Outside of Hong Kong, we sell selected products to China, Macau, Taiwan, and select countries in Southeast Asia, Europe, North America and the Caribbean Islands, primarily through distributorship and wholesaling arrangements. Meanwhile, product registration also forms an integral part of the sales and distribution of our branded medicines and proprietary Chinese medicines, which are generally subject to product registration requirements before they can be sold and distributed in certain jurisdictions. We devote dedicated resources to fulfill relevant product registration requirements and to closely monitor the regulatory regimes to ensure that our existing products and new products continue to comply with relevant product registration and product license requirements.

- *Quality management*: We enforce stringent quality assurance and control covering a wide range of activities, including procurement, manufacturing, release of finished products, stability studies, and validation and qualification of equipment and facilities. Our quality assurance personnel are responsible for ensuring GMP compliance, whereas our quality control personnel are responsible for arranging or carrying out all necessary and relevant tests on raw materials, manufacturing process, work in progress and finished products.

OUR PRODUCTS

We market and sell a wide range of branded healthcare products, which are broadly divided into two product categories: (i) consumer healthcare, consisting of branded medicines and health and wellness products; and (ii) proprietary Chinese medicines. The following table sets forth the breakdown of our revenue by product category for the periods indicated:

	Year ended March 31,						Four months ended July 31,			
	2018		2019		2020		2019		2020	
	HK$'000	% of revenue	HK$'000	% of revenue	HK$'000	% of revenue	HK$'000 (unaudited)	% of revenue	HK$'000	% of revenue
Consumer healthcare										
Branded medicines	119,331	45.1	128,833	41.9	142,215	37.3	33,211	48.8	30,824	25.9
Health and wellness products	25,858	9.8	33,427	10.9	55,318	14.5	11,741	17.2	24,041	20.3
	145,189	54.9	162,260	52.8	197,533	51.8	44,952	66.0	54,865	46.2
Proprietary Chinese medicines	119,143	45.1	145,255	47.2	184,009	48.2	23,137	34.0	63,905	53.8
Total	**264,332**	**100.0**	**307,515**	**100.0**	**381,542**	**100.0**	**68,089**	**100.0**	**118,770**	**100.0**

Our portfolio of branded healthcare brands includes both third-party brands (where we obtained distribution rights through distributorship or in-licensing arrangements with third-party brand owners) and our own brands (where we own the brands and manufacture the products in-house or with the support of third-party manufacturers). As of March 31, 2020, we carried 194 brands, with more than 1,700 products (including more than 700 single and combo formula CCMG products) counted by SKUs as in line with industry norm according to the Frost & Sullivan Report. Given that each brand may consist of multiple products or a number of SKUs of products in different dosage forms and package sizes, the number of products we carry is materially higher than the number of brands in our portfolio. Of these 194 brands, we carried a total of 20 principal brands, including 11 third-party brands and 9 own brands, which together accounted for 94.3% of our total revenue for the year ended March 31, 2020. The majority of these principal third-party brands are sourced from Europe, including consumer healthcare products imported from reputable European GMP-accredited, ISO-certified or SGS-certified manufacturers. Meanwhile, most of our self-manufactured own brand products are manufactured at our GMP-accredited manufacturing facilities in Hong Kong.

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

	Year ended March 31,						Four months ended July 31,			
	2018		2019		2020		2019		2020	
	HK$'000	% of revenue	HK$'000	% of revenue	HK$'000	% of revenue	HK$'000 (unaudited)	% of revenue	HK$'000	% of revenue
Third-party brand products	55,585	21.0	76,668	24.9	107,368	28.1	26,507	39.0	32,760	27.6
Own brand products	208,747	79.0	230,847	75.1	274,174	71.9	41,582	61.0	86,010	72.4
Total	**264,332**	**100.0**	**307,515**	**100.0**	**381,542**	**100.0**	**68,089**	**100.0**	**118,770**	**100.0**

The following photographs display some of our third-party brand products and own brand products:

Thirty-Party Brand Products

Own Brand Products

The following tables set forth the number of brands by brand ownership and business segment and the changes in the number of brands carried by us for or during the periods indicated:

	Year ended March 31,			Four months ended
	2018	2019	2020	July 31, 2020
Third-party brands				
Consumer healthcare				
Branded medicines	10	12	12	12
Health and wellness products	36	29	29	29
	46	41	41	41
Proprietary Chinese medicines	3	3	5	5
	49	44	46	46
Own brands				
Consumer healthcare				
Branded medicines	1	1	1	1
Health and wellness products(1)	31	33	33	33
	32	34	34	34
Proprietary Chinese medicines(1)	113	113	114	114
	145	147	148	148
	194	**191**	**194**	**194**

Note:

(1) Include miscellaneous less publicized brands whose products are primarily targeted for sale in smaller, stand-alone drug stores in Hong Kong.

	Year ended March 31,			Four months ended
	2018	2019	2020	July 31, 2020
Number of brands carried at the beginning of period	196	194	191	194
Number of new brands[(1)]	1	10	7	0
Number of brands ceased to carry [(2)]	3	13	4	0
Number of brands carried at the end of the period	194	191	194	194

Notes:

(1) Include 4 of our 20 principal brands as at March 31, 2020, namely Dr. Freeman, AIM Atropine and two CCMG brands.

(2) Include miscellaneous less publicized brands whose products are primarily targeted for sale in smaller, stand-alone drug stores in Hong Kong.

There has been no material change to the number of brands carried by us since July 31, 2020.

Consumer healthcare

Branded medicines

Branded medicines are proprietary medicines whose active ingredients are chemical compounds with a certain composition and specific dosage form and dosage, prepared for immediate medicinal use, available and prepared for dispensing to the public, and with a uniform name, packaging, container, and labeling approved for marketing by the regulatory authority. According to the Frost & Sullivan Report, our branded medicine business segment and the Hong Kong proprietary medicine industry segment represent the same category of drugs. A vast majority of our branded medicines are sold directly to consumers over-the-counter and do not require a prescription from a healthcare professional. We entered the branded medicine market in Hong Kong in 2006 with the launch of Contractubex sourced from Merz, a notable consumer healthcare brand in Germany. Over the years, we have successfully promoted Contractubex to be one of the most recognizable scar treatment products in Hong Kong, with 76% of the interviewed consumers stating Contractubex as their preferred scar treatment brand, according to a Nielsen survey conducted in 2019 commissioned by us. We have since considerably grown our portfolio to address a vast array of consumer healthcare needs in Hong Kong, Macau and other select overseas markets. For example, we acquired the brand of Ho Chai Kung in 2017 and sell Ho Chai Kung branded products in Hong Kong and Macau. In each of the years during the Track Record Period, Ho Chai Kung Tji Thung San was one of our two top-selling products.

The following table sets forth our top five branded medicines for the year ended March 31, 2020, which together accounted for 93.0% of our revenue from branded medicines and 34.7% of the total revenue of our Group for the same period, respectively. We have entered into exclusive distribution agreements for the designated territories with relevant third-party brand owners for all third-party brand products which were among our top five branded medicines during the Track Record Period.

Product	Description	Brand owner	Term of expiry
Ho Chai Kung Tji Thung San (何濟公止痛退熱散)	• A powdered form product for the speedy relief of headache, toothache, fever and influenza • Long heritage in Hong Kong with the brand "Ho Chai Kung (何濟公)" originated in the 1930s and high brand awareness in the analgesics category in Hong Kong, China and Southeast Asia markets	Our Group	N/A

Product	Description	Brand owner	Term of expiry
	• Ranked second by revenue at the distribution level in the Hong Kong antipyretic analgesics (OTC drugs) market in 2019, according to the Frost & Sullivan Report		
AIM Atropine 0.01% Eye Drops (0.01%亞妥明眼藥水)............	• An anticholinergic agent as a sterile topical preservative-free ophthalmic solution that is commonly used in the treatment of myopia, mydriasis and cycloplegia • Clinically proven by The Chinese University of Hong Kong to help slow down the progression of childhood myopia	Aseptic Innovative Medicine Co., Ltd. (Taiwan)	Commenced distributorship in 2018; current term: August 24, 2018 to August 23, 2021; automatic renewal subject to terms and conditions
Contractubex (德國秀碧除疤膏)	• A gel product for treating scars • One of the most recognizable scar treatment products in Hong Kong, with 76% of the interviewed consumers stating Contractubex as their preferred scar treatment brand, according to a Nielsen survey conducted in 2019 commissioned by us	Merz (Germany)	Commenced distributorship in 2006; current term: July 1, 2020 to June 30, 2023, automatic extension for one contract year to June 30, 2024; renewal subject to negotiation
Ho Chai Kung Analgesic Tab (何濟公止痛退熱片)	• A tablet form product for the relief of headache, toothache, fever and influenza • Another principal product under the brand “Ho Chai Kung”	Our Group	N/A
PK-Merz 100 mg Tablets (金剛胺藥片100毫克).......	• Treatment of symptoms of Parkinson’s diseases and residual symptoms and complaints after stereotactic operations	Merz (Germany)	Commenced distributorship in 2006; current term: July 1, 2020 to June 30, 2023, automatic extension for one contract year to June 30, 2024; renewal subject to negotiation

Health and wellness

Health and wellness products comprise supplements, medical consumables and other non-pharmaceutical products for the general health and wellness of consumers. These products are intended to meet the everyday needs of the increasingly health-conscious consumers, ranging from personal hygiene and infection control (such as antiseptic hand rubs) to personal care (such as hair care products), skincare (such as pregnancy stretch mark cream and scar management patches) and functional supplements (such as vitamins). We believe the branded products in our health and wellness portfolio are typically more sensitive to social, health and wellness trends. We strive to actively update our health and wellness product mix to cater for and capture business opportunities from such evolving health and wellness trends, awareness and focuses of end consumers. As at March 31, 2020, 6 of the 20 principal brands we carried were health and wellness products. As a key driver of our growth strategy, we target the following high potential markets:

- *Diagnostic test kits and services*: Diagnostic test kits and services detect possible health conditions to facilitate consumers to take timely action and get early treatment to lower their chances of developing later complications, or seek effective and prompt medical treatment at the onset of the illness. We have been the exclusive distributor of the world's leading provider of genomic-based breast cancer test service kit, Genomic Health, Inc., a wholly-owned subsidiary of Exact Sciences Corporation, for its Oncotype DX Breast Recurrence Score® assay in Hong Kong and Macau since 2008. In addition, in 2020, we launched Dr. Freeman Flu/RSV Combo, a home diagnostic product marketed under our own brand, which is designed to provide test results in approximately eight minutes for a qualitative determination of influenza type A and B virus and RSV, in the retail markets of Hong Kong and Macau.

- *Functional supplements*: Functional supplements, such as nutraceutical and cosmeceutical products, represent a category of health and wellness products that are specially processed or formulated and intended for particular nutritional uses, dietary management and health functions. Since October 2019, we have launched three lines of functional supplements from Smartfish of Norway and Capricorn Life Sciences B.V. of Netherlands in Hong Kong and selected Asian countries.

The following table sets forth our top five health and wellness products (excluding face masks) for the year ended March 31, 2020, which together accounted for 53.8% of our revenue from health and wellness products and 7.8% of the total revenue of our Group for the same period, respectively. We have entered into exclusive distribution agreements for the designated territories with relevant third-party brand owners for all third-party brand products which were among our top five health and wellness products during the Track Record Period.

Product[1]	Description	Brand owner	Term of expiry
Oncotype DX Breast Recurrence Score® Assay (安可待乳癌基因表現檢測)....	• A service kit for performing genomic-based diagnostic test for recurrence risks of breast cancer	Genomic Health, Inc., a wholly-owned subsidiary of Exact Sciences Corporation (U.S.A.)	Commenced distributorship in 2008; current term: May 28, 2018 to May 27, 2021; automatic renewal subject to terms and conditions
Contractubex Overnight Intensive Patch (德國秀碧晚間深層除疤貼)....	• Scar treatment product developed specifically for convenient overnight application	Merz (Germany)	Commenced distributorship in 2016; current term: March 1, 2016 to June 30, 2020[2]
Mederma Kids (美德瑪寶兒除疤啫喱)......	• Scar treatment product for children	Laboratoire HRA PHARMA (France)	Commenced distributorship in 2016; current term: June 30, 2019 to December 31, 2021; renewal subject to negotiation

Product[1]	Description	Brand owner	Term of expiry
BITE-X (BITE-X寶寶手指水)	• A product formulated to prevent children from nail-biting and thumb-sucking • Recommended by over 90% of interviewed parents, according to an independent survey commissioned by us in 2019	Our Group	N/A
Dr. Freeman Alcohol-based Hand Rub	• A hand sanitizer composed of isopropyl alcohol, glycerol and hydrogen peroxide, a formulation which is recommended by the WHO for efficient inactivation of emerging COVID-19	Our Group	N/A

Notes:

(1) Excluding one-off products of face masks, which together accounted for 23.5% of our revenue from health and wellness products and 3.4% of our total revenue, respectively, for the year ended March 31, 2020. The sales of face masks was mainly due to the COVID-19 outbreak.

(2) This product has been discontinued by the third-party brand owner as a result of a change in their product portfolio. The discontinuation was not due to or related to any disagreements or disputes between the third-party brand owner and us and would not affect our existing business relationship or the continuance of the supply of any other products covered under any and all of our existing distribution agreements with the said third-party brand owner.

Proprietary Chinese Medicines

Proprietary Chinese medicines comprise proprietary products (i) composed solely of (a) any Chinese herbal medicines specified in the Chinese Medicine Ordinance; or (b) any materials of herbal, animal or mineral origin customarily or widely used by the Chinese; or (c) any medicines and materials referred to in (a) and (b) respectively, as active ingredients; (ii) formulated in a finished dosage form; and (iii) known or claimed to be used for the diagnosis, treatment, prevention or alleviation of any disease or any symptom of a disease in human beings, or for the regulation of the functional states of the human body. We first entered the proprietary Chinese medicine market in 2003 and, as at March 31, 2020, own seven principal brands which are all highly recognized among Chinese consumers, enjoying strong market positions and are widely carried. For example, Po Chai Pills, which possesses 120 years of tradition, ranked first by revenue at the distribution level in the Hong Kong gastrointestinal (OTC proprietary Chinese medicines) market in 2019 according to the Frost & Sullivan Report, and was reclassified by the NMPA into the OTC category in China in 2016. We also carry Shiling Oil, which is a centenary household brand in many countries, including Hong Kong and the Caribbean Islands. As of the Latest Practicable Date, we offered proprietary Chinese medicines in a wide variety of dosage forms, including pills, tablets, powder, medicated oils, inhalers, balms and CCMG.

The following table sets forth our top five proprietary Chinese medicine products for the year ended March 31, 2020, which together accounted for 55.5% of our revenue from proprietary Chinese medicines and 26.8% of the total revenue of our Group for the same period, respectively:

Product	Description	Brand owner
Po Chai Pills (保濟丸) (known as "Puji Pills" or "普濟丸" in China)	• A proprietary Chinese medicine made with natural Chinese herbs for the relief of indigestion, vomiting, diarrhea and bloating, which is also indicated for relieving hangovers from alcohol • Ranked first by revenue at the distribution level in the Hong Kong gastrointestinal (OTC proprietary Chinese medicines) market in 2019, according to the Frost & Sullivan Report • Reclassified into the OTC category in China by the NMPA in 2016	Our Group
Flying Eagle Woodlok Oil (飛鷹活絡油)	• An anti-rheumatic proprietary Chinese medicated oil composed of natural Chinese herbs and essential oils indicated for the relief of muscle aches, pains, bruises and swellings associated with fatigue or physical exercise • Ranked fifth by revenue at the distribution level in the Hong Kong skeletal and muscular diseases (OTC proprietary Chinese medicines) market in 2019, according to the Frost & Sullivan Report	Our Group
Shiling Oil (十靈油)	• A proprietary Chinese medicated and external antipruritic oil composed of methyl salicylate, menthol, camphor and essential oils indicated for the relief of itchiness caused by insect bites, blocked nose and refreshment • 100-year brand with high brand awareness overseas, including the Caribbean Islands • Ranked seventh by revenue at the distribution level in the Hong Kong skeletal and muscular diseases (OTC proprietary Chinese medicines) market in 2019, according to the Frost & Sullivan Report	Our Group

Product	Description	Brand owner
Tong Tai Chung Woodlok Oil (唐太宗活絡油)	• A proprietary Chinese medicated and anti-rheumatic oil composed of a balanced combination of methyl salicylate and menthol indicated for the relief of muscle aches, pains, bruises and swellings associated with fatigue or physical exercise • A principal product of the brand "Tong Tai Chung," with approximately 25 years of history and recognized as a "Hong Kong Top Brand"	Our Group
Konsodona Medicated Oil (鎮痛霸活絡油)	• An anti-rheumatic proprietary Chinese medicated oil composed of methyl salicylate and menthol with strong and immediate efficacy on muscle aches, pains, bruises and swellings associated with fatigue or physical exercise	Our Group

CCMG products

We expanded our portfolio of proprietary Chinese medicines to include CCMG products following our acquisition of the Orizen Group in two tranches in 2018 and 2019, respectively, as a result of which the Orizen Group became our subsidiaries.

CCMG products are traditional Chinese herbal medicines processed through modern extraction and concentration technologies to arrive at a granular form for easy dispensary and administration. Our portfolio of CCMG products consist of more than 700 single herb products (單味) and combo formula (複方) products. CCMG single herb products are granules made from one Chinese herb ingredient only. CCMG combo formula products are granules made from a combination of different Chinese herb ingredients in accordance with formula set forth in the Chinese Pharmacopeia or other relevant authoritative literature of Chinese medicine. We currently carry two different brands of CCMG products:

(i) Our own Hoi Tin brand CCMG products, which are outsourced to GMP-accredited manufacturers for production on a third-party manufacturing basis. For further details, see the section headed "— Development and Manufacture of Own Brand Products — Third-Party Manufacturing" below; and

(ii) Third-party brand CCMG products, which we have the exclusive authority to distribute in Hong Kong and Macau. For further details, see the section headed "— Sourcing and Representation of Third-party Brand Products — Distributorship" below.

We have successfully integrated Orizen Group into our operations, which have swiftly contributed positively to our operating results. For the year ended March 31, 2020, we sold CCMG products to over 3,000 Chinese medicine practitioners, which represented over 40% of the total number of active Chinese medicine practitioners in Hong Kong in 2019, according to the Frost & Sullivan Report. Our CCMG products accounted for 38.5% of our revenue from proprietary Chinese medicines and 18.6% of our total revenue for the year ended March 31, 2020.

SOURCING AND REPRESENTATION OF THIRD-PARTY BRAND PRODUCTS

Selection Criteria and Major Suppliers of Third-Party Brand Products

During the Track Record Period, a majority of our principal consumer healthcare brands and one of our principal proprietary Chinese medicine brands were sourced from third-party brand owners. We believe the ability to continuously source and introduce quality third-party brand products with market potential into our product pipeline is critical to our success. We continuously observe market trends, seek to understand consumers' needs and collect up-to-date information about different brands through market research and analysis, attending trade shows and exhibitions and conducting regular visits with retailers, among others, to help us collate and accumulate relevant insights to identify and evaluate third-party brand products with market and commercialization potential. When evaluating targeted third-party brands and products that we have identified or that have approached us, we generally adopt the following approach:

(i) assess market potential, sales trend and commercial viability of target products;

(ii) consider relevant experience and reputation of the target brand owners in the industry and their established market;

(iii) review laboratory reports and other relevant research reports in respect of the functionality and quality of the target products; and

(iv) inspect the certificates, licenses, permits and other supporting documents in respect of the credentials of the target brand owners and the manufacturers engaged by them, where applicable, to ensure they are duly qualified under the applicable laws and regulations to sell, distribute and manufacture the target products.

For third-party brands or products that pass our internal assessment, we typically initiate a site visit with the third-party brand owner and compile a business proposal for them, which sets forth our plan for distribution and operation in our major target markets. We generally seek to obtain exclusive distribution rights from a third-party brand owner by entering into a distributorship or in-licensing agreement with the brand owner. Depending on the practice of the brand owner and bargaining power of the parties, we may reach an agreement on the mode of collaboration, namely distributorship or in-licensing, and commence negotiations on other terms and conditions of our collaboration and enter into a legally binding agreement. When deciding on our preferred mode of collaboration, we take into consideration various factors, including our relationship with the brand owner, the market position, life cycle, global brand image, registration requirements and level of flexibility and control required for the successful commercialization of the target product.

We believe third-party brand owners are more inclined to choose to partner with us because of our trustworthy reputation, portfolio of third-party brands and track record of successfully commercializing and popularizing third-party brand products in relevant markets. Going forward, we endeavor to continue to source compelling third-party brand products in therapeutic areas that are synergistic with our existing portfolio and our strategic directions, such as cosmeceutical and nutraceutical products in women's health and child care, and home diagnostic products, that are researched and supported by clinical studies.

Distributorship

Distributorship is currently the principal arrangement which we enter into with third-party brand owners to obtain their authorization to sell and distribute their products in the relevant markets. Under this arrangement, we typically enter into legally binding distributorship agreements with third-party brand owners, which may have a fixed term ranging from three to five years (subject to renewal) and provide the terms and conditions under which we sell and distribute their products in the relevant market as their authorized distributor. The table below sets forth a summary of the principal arrangements with our major suppliers of third-party brand products:

Principal arrangements	Summary
Duration	The term of the distribution agreement is typically three years and can be up to five years.
Exclusivity of distribution right	We are generally granted exclusive rights to sell and distribute one or more products as specified in the distribution agreement.
Distribution territories	We are authorized to distribute the third-party brand products in Hong Kong; the distribution territories may include other countries and regions such as Greater China and Singapore.
Retailers	The distribution agreement may specify that we may distribute the third-party brand products only to offline or online sales channels within the distribution territories or to the specified retailers.
Minimum purchase amount	The distribution agreement may contain provisions as to the minimum amounts of purchase by us within a specific period, subject to adjustments by mutual agreement. Achievement of such performance requirements may be set as a condition for the renewal of the distribution agreement. In the event that we fail to meet the minimum purchase amounts, the third-party brand owner may be entitled to terminate the distribution agreement by notice.
Upfront payment	We are generally not required to make any upfront payment.
Resale price management	The distribution agreement typically does not set forth a recommended retail price.
Transportation	The responsibility for transportation costs of the third-party brand products is specified in the distribution agreement, including free on board origin, ex-works, and cost, insurance and freight bases.

Principal arrangements	Summary
Product liability	The distribution agreement may require the third-party brand owner to bear the expenses of any recall required by it or any regulatory authority resulting from defective manufacturing, packaging or shipment by the third-party brand owner. It may also include a guarantee from the third-party brand owner as to the quality of products supplied and stipulate that we will be responsible for any diminishment in the quality of the third-party brand products in our possession afterwards.
Return policy	We are generally required to inform the third-party brand owners within seven to 14 days of receipt of any products with quality issues or visible defects and within five days of detection of any hidden defects, and arrange for replacement or refund.
Settlement	The credit term, payment currency and payment method are generally stated in the distribution agreement or specified by the third-party brand owner in the invoices or otherwise agreed between the third-party brand owner and us from time to time. We generally make full payment within 30 to 90 days from the date of invoice by bank transfer.
Non-competition undertaking	We are generally not allowed to manufacture, distribute, market, sell, deal in or be the agent for any products competing with those of our third-party brand owners without their prior written consent.
Renewal	The distribution agreement may be renewed or extended upon mutual agreement or deemed to be renewed if the parties do not give written notice to terminate the agreement. During the Track Record Period, we did not experience any failure to renew our distributorship agreements.
Termination	The distribution agreement may be terminated by either party, if the other party fails to perform any of its obligations under the distribution agreement and fails to rectify such breach within a prescribed time period, with 30 to 90 days of prior written notice, by mutual agreement of both parties, or by expiration of contract term, among others.

The following table sets forth the movements in the number of distribution agreements during the periods indicated:

	Year ended March 31,			Four months ended July 31,
	2018	2019	2020	2020
Number of agreements at the beginning of period	4	6	18	24
Number of lapsed agreements	1	4	4	1
Number of renewed agreements	1	3	4	1
Number of new agreements entered	2	13	6	–
Number of terminated agreements	–	–	–	–
Number of agreements at the end of the period	6	18	24	24

In-licensing

In-licensing is another type of arrangement that we use to secure authorization from third-party brand owners to sell and distribute their products. This mode of collaboration generally requires the licensee to pay an initial licensing fee as an upfront payment but provides the licensee with more support from the licensor, and more flexibility and control over brand management as compared to the distributorship arrangement. We have presently only adopted in-licensing arrangement with a European brand owner for the sale and distribution of selected health and wellness products in Greater China. The arrangement has afforded us the flexibility to refine the ingredients of one of the products with the brand owner during the Track Record Period to meet Taiwanese registration requirements. The table below sets forth a summary of the principal terms of our legally binding in-licensing agreement with this brand owner:

Principal arrangements	Summary
Duration	November 23, 2018 to November 22, 2033 (initially 10 years and subsequently extended to 15 years in November 2020).
Exclusivity of distribution right	We have been granted exclusive rights to promote, market, transfer, distribute and sell selected products as specified in the in-licensing agreement.
Distribution territories	We are authorized to distribute the products in Greater China, and the distribution territories may be extended to include other Asian markets by mutual agreement.
Retailers	The in-licensing agreement does not specify or limit our sales channels or retailers.
Minimum purchase amount	We are required to meet an annual minimum purchase amount of no less than 60% of the aggregate volume projections for all the products, subject to annual adjustments by mutual agreement. Achievement of such annual minimum purchase amount requirement is set as a condition for the retention of the exclusive distribution right granted to us.
Upfront payment	We have made upfront payments of HK$16.9 million to the third-party brand owner in accordance with the in-licensing agreement during the Track Record Period. In the event of a termination of the in-licensing agreement by the third-party brand owner with respect to one or more products for reasons other than our breach of the in-licensing agreement, the third-party brand owner will be required to pay us an amount equal to the upfront payment made by us for the remaining term of the exclusive rights granted for the terminated product.
Resale price management	There is no pre-determined resale price on the products.
Transportation	The products are delivered to us on an ex-works basis.
Product liability	The third-party brand owner will be responsible for any bodily injury, death or property damage resulting from any defect in the design, material, manufacture, fabrication, workmanship and labeling of the products.

Principal arrangements	Summary
Return policy	We are required to inform the third-party brand owner in writing within seven days of receipt of any non-conforming products at the point of destination.
Settlement	The purchase prices must be settled immediately after we accept delivery of the products.
Termination	The in-licensing agreement may be terminated by either party in the event of dissolution or insolvency, default or expiration of contract term, among others.

During the Track Record Period, we were able to fulfill all minimum purchase requirements imposed on us except for those concerning four third-party brand owners, where we fell short by a total of HK$4.7 million with regard to eight products as of March 31, 2019, and HK$8.7 million with regard to nine products as of March 31, 2020. The reasons for our inability to meet these minimum purchase requirements varied, including (i) production delay by the third-party brand owner; (ii) unexpected product registration hurdles in selected markets; and (iii) negative impact of the social unrest in the second half of 2019 and the COVID-19 outbreak in 2020 on retail spending by visitors and local consumers in Hong Kong. We have managed these situations closely with the relevant third-party brand owners and no penalty has been imposed on us. We continue to retain exclusive distribution rights with the relevant third-party brand owners for these products and are of the view that these incidents will not adversely impact our business relationships and distribution or in-licensing arrangements with the third-party brand owners.

We have not encountered any early termination of distribution rights by the third-party brand owners or had failed to renew any material distribution or in-licensing agreements upon expiration during the Track Record Period and up to the Latest Practicable Date.

DEVELOPMENT AND MANUFACTURE OF OWN BRAND PRODUCTS

Product Development

The majority of our own brand products are OTC proprietary medicines and OTC proprietary Chinese medicines with long established proprietary formulations based on ancient prescriptions, pharmacopeia prescriptions or customary Chinese prescriptions. Nevertheless, we believe product development remains a key to our competitiveness, as well as our ability to adapt to new and evolving consumer demands and regulatory requirements. In particular, tailored to the characteristics of our own brand product portfolio, our product development initiatives have been directed towards the following areas during the Track Record Period, none of which involves any development of new innovative patentable formulations or engagement of clinical trials:

- *Product line extensions*: When we identify a need in a refined segment of a product market, we may build on an existing product and its brand appeal to develop extension products with new flavors, formats, dosages, added ingredients or therapeutic extensions. For example, we have introduced or are in the process of developing the following product line extensions:

  o *Shiling Inhaler*: We introduced an inhaler as a product line extension under our "Shiling" brand in 2020, which is a compact, simple-to-use product to provide quick relief from blocked nose. The new formula for Shiling Inhaler (which is in a different dosage form from our Shiling Oil) was developed by us with reference to the basic fragrance of Shiling Oil with rounds of testing and adjustments to arrive as the final formation. New packaging and inhaler mold designs have been created to reflect a coherent "Shiling" brand image between the two products.

- o *Extensions of the Po Chai Pills product line*: In an effort to rejuvenate the brand positioning of Po Chai Pills, we have been exploring and are currently working on some potential product line extensions based on dosage form variations for easier intake and better flavorings to appeal to a wider and younger generational consumer base.

- *Product variations for overseas markets*: Different jurisdictions may have varying licensing and regulatory requirements, which may require refinements to the formulation of an existing product before it can be registered and sold in a relevant jurisdiction. For example, we have made specific formulation refinements to Po Chai Pills manufactured for sale to Taiwan while maintaining its therapeutic impact to facilitate compliance with the licensing requirements of Taiwan. We expect to complete product registration and launch the first batch of Po Chai Pills in the Taiwan market in the near future.

- *Expansion to new product markets*: We seek to develop or introduce products to underserved product markets to satisfy unmet consumer demands. For example, we are developing a line of health and wellness products under our own Dr. Freeman (醫臣) brand, including the Dr. Freeman Flu/RSV Combo and antiseptic hand rubs, to address the strong consumer demand arising from increasing awareness on infectious diseases and personal hygiene.

As of July 31, 2020, we had a total of 14 experienced and qualified professionals dedicated to the above product development initiatives. Our product development team had an average of 12 years of industry experience and over 90% of them held a bachelor's degree or above. They work closely with our business development team to leverage our market insights and product development know-how to cater for new and evolving demands in the market. During the Track Record Period, we also collaborated with an academic institution and a medical technology company for the technical research, development and testing of certain consumer healthcare products.

Procurement of Raw Materials and Packaging Materials

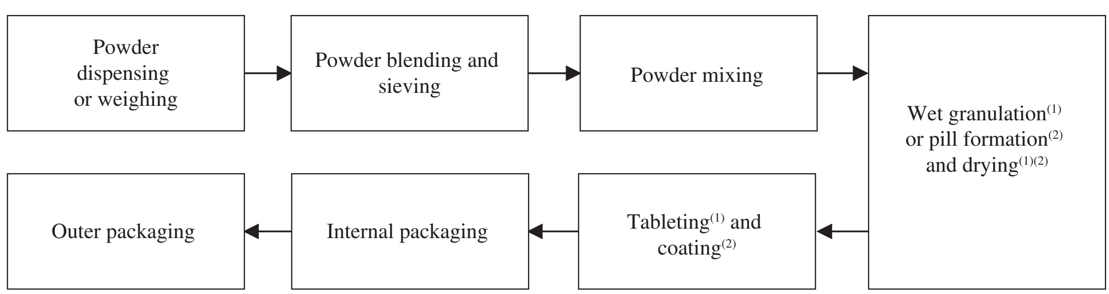
The primary raw materials for our self-manufactured products are menthol, paracetamol, Chinese herbs, chemicals and excipients, while the main packaging materials we use include paper and aluminum foil, most of which are general commodities commonly available in the market. We carefully select suppliers based on their qualification, reputation, quality and services. Over 75% of the active materials (by type) used in our GMP-accredited manufacturing facilities for the year ended March 31, 2020 were manufactured by GMP-accredited manufacturers. We uniformly apply our quality management procedures and quality control standards for our active materials procured in compliance with our adopted PIC/S or GMP standards (as the case may be), regardless of whether the relevant manufacturers are themselves GMP-accredited. For instance, all product quality-related suppliers for our PIC/S or GMP-accredited manufacturing facilities must undergo our vendor approval process, comprising an on-site audit or audit by questionnaire and other relevant continuous monitoring measures such as requiring relevant active materials to be accompanied with a certificate of analysis and conducting relevant analytical activities including chemical and physical analysis to confirm that they comply with our prescribed specifications. For further details of our quality management procedures and quality control checks on active substances, see the section headed "— Quality Management" below.

Our raw material and packaging material suppliers are primarily based in Hong Kong, China and Japan. During the Track Record Period, the production capacities of our suppliers have been adequate to meet our manufacturing needs and we believe that alternate suppliers are available. In order to reduce dependence on any single supplier, we may choose from multiple suppliers for our raw materials. We routinely monitor our suppliers for any incidents or regulatory warnings. We generally place purchase orders and do not have any agreements with our raw material and packaging material suppliers lasting longer than one year. Our local suppliers typically provide 30 days' credit term, while our PRC suppliers may require payment in advance before shipment. The lead time for delivery varies from the availability of stock maintained by the raw material and packaging material supplier, types of materials and the production cycle of the materials. The market prices of our raw materials and packaging materials may fluctuate from time to time as a result of factors such as incidental supply and demand fluctuations, our bargaining power with suppliers, logistics and processing costs, government regulations and policies and tax. The cost of raw materials and packaging materials used in the manufacturing of our own brand products accounted for 30.3%, 32.1%, 18.3% and 9.5% of our overall cost of sales for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively. Fluctuations in cost of raw materials and packaging materials were generally in line with the fluctuations in revenue from sales of our self-manufactured products, and fluctuations of market prices of our raw materials and packaging materials did not materially impact our overall cost of sales during the Track Record Period. Further, in general, we seek to pass on increases in cost of raw materials to our customers if such increases affect our business operations and profit margin.

Manufacturing Process

Our manufacturing process varies between products and depends largely on the product's dosage form and active ingredients used. We manufacture various branded medicines and proprietary Chinese medicines in several dosage forms, including pills (such as Po Chai Pills), powder (such as Ho Chai Kung Tji Thung San), tablets (such as Ho Chai Kung Analgesic Tab) and medicated oils (such as Flying Eagle Woodlok Oil, Shiling Oil and Tong Tai Chung Woodlok Oil). The following flowcharts illustrate the basic steps of our manufacturing process for (i) pills, powder and tablets; and (ii) medicated oils. The time for each step in the manufacturing process also varies depending on the specific requirements of the product.

Pills, powder and tablets



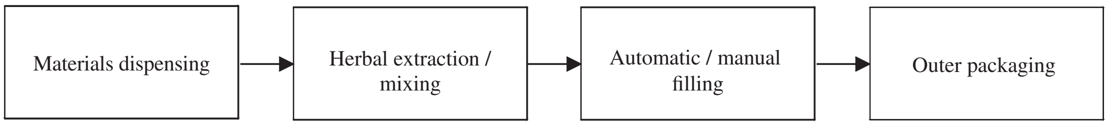
Notes:

(1) Only applicable to the manufacturing process of our tablet form products.

(2) Only applicable to the manufacturing process of our pill form products.

All starting materials are sampled and tested for their physical characteristic and identity. In many cases, upon completion of the quality tests on the starting materials, they are dispensed for blending and sieving. In the case of powdered form products, sieved powder is then mixed and homogenized to improve content uniformity and stability. The resulting product is then filled into sachets, which is further packed with outer packaging materials. For tablet form products, the sieved powder blend then undergoes a granulation process, on either a dry or wet basis, to improve the flowability of the powder mixture prior to tableting. In the case of pill form products, purified water is then added to the mixed herbal powder that is subsequently made into pill forms. The pills are then coated with colorant and dried, then packed into bottles and boxes with outer packaging. All finished products are subject to the required quality tests before being released to the market. The whole manufacturing process normally takes 25 to 72 hours, depending on the specific product involved.

Medicated oils



All starting materials are sampled and tested for their physical characteristic and identity. Upon completion of the quality tests on the starting materials, they are dispensed and mixed, together with the herbal extract, if any, until they become homogenous. The resulting mixture is filtered, bottled and finally packed with outer packaging. The products are subject to the required quality tests before being released to the market. The whole manufacturing process normally takes 20 to 85 hours, depending on the specific product involved.

Manufacturing Facilities

Our manufacturing facilities are located in Hong Kong and comprise (i) a PIC/S GMP-accredited manufacturing facility for the production of our Ho Chai Kung branded products; (ii) two GMP-accredited manufacturing facilities mainly for the production of Po Chai Pills and Flying Eagle Woodlok Oil; and (iii) other manufacturing facilities primarily used for the production of certain other proprietary Chinese medicines. We have obtained all necessary licenses, permits and approvals for our manufacturing facilities. As of July 31, 2020, we had a total of 162 factory, warehouse and operations personnel, who are responsible for the manufacturing operations and maintenance of our manufacturing facilities and equipment to ensure their optimal performance. We replace and upgrade manufacturing equipment and machinery when necessary to enhance productivity or functionality. We did not experience any material interruptions to our manufacturing process during the Track Record Period.

The following table sets forth our major assets and equipment in our manufacturing facilities:

Name of the equipment	Purpose of the equipment	Place of origin	Average length of time in use (years)	Average remaining useful life (years)[(1)]
Herbal powder grinding system.......	Powder grinding	China	5.5	5.5
Mixer................................	Powder mixing	China	12	5
Pills production line	Pills production	China	4.5	5.5
Coater	Pills coating	China	7	5
Tablet pressing machine.............	Tablet pressing	China	13.5	4.5
Pills filling machine	Pills filling	Hong Kong	6	5
Sachet filling machine	Filling powder in sachets	China	11	4

Note:

(1) Based on the best estimation of our management.

Production capacity and utilization rate

The following table sets forth a summary of our annual production capacity and utilization rates for our manufacturing facilities for the periods indicated. We have maintained moderate utilization rates during the Track Record Period, which we believe would provide us with a reasonable buffer in production capacity to cater for further business growth.

		Year ended March 31,			Four months ended July 31,	
Production line	**Operational Information**	**2018**	**2019**	**2020**	**2019**	**2020**
Pills, powder and tablets	Maximum designed production capacity *(in kg)*(1)	352,800	352,800	352,800	114,374	114,374
	Output *(in kg)*	144,201	178,028	152,796	56,258	58,450
	Utilization rate(2)	41%	50%	43%	49%	51%

Notes:

(1) Maximum designed production capacity is calculated assuming 300 days per year, six days of operation per week and 12 hours of operation per day at maximum output batch size.

(2) Utilization rate is calculated by dividing actual output by maximum designed production capacity.

Adjustment and upgrade of manufacturing facility

In conjunction with our Reorganization, we resolved to optimize and upgrade the manufacturing process for certain of our proprietary Chinese medicines by relocating their production to one of our GMP-accredited manufacturing facilities in Tai Po, Hong Kong, which has been used principally for our production of Flying Eagle Woodlok Oil. We suspended operation of this manufacturing facility and commenced renovation works in February 2020 to remodel the layout and expand the production area. During the months leading up to the suspension of this manufacturing facility, we had increased the production and finished goods inventory of Flying Eagle Woodlok Oil and other relevant products to cover for the anticipated demand of these products during the suspension. During the period of production suspension we had not encountered any material issues concerning the fulfillment of sales orders, or experienced any material impact on our results of operations. We have since completed the renovation works of the GMP-accredited manufacturing facilities and received the manufacturer license and the GMP certificate in connection with the adjustment of the design and usage of the facility, and have, from late September 2020 onward, gradually resumed basic operations of the said manufacturing facility, including materials procurement in preparation of our production orders with scheduled product deliveries in the first quarter of 2021.

Third-Party Manufacturing

Apart from our own brand CCMG products which are outsourced to GMP-accredited third-party manufacturers for production, we manufacture most of products under our principal own brands in-house. While our manufacturing facilities remained moderately utilized during the Track Record Period, our equipment are designed for specific dosage forms, such as pills, powder and tablets, and are considered by our management as the minimum set-up for the production of relevant products in their respective dosage forms. Those outsourced own brand products, on the other hand, have differing dosage forms (such as pei pa koa and concentrated decoction products) involving different production processes and production equipment, some of which are also marketed under miscellaneous brands with sporadic order quantities. Outsourcing the production of these products under third-party manufacturing therefore enables us to supply such products to the market without the need for significant capital investments in manufacturing facilities and equipment.

We have implemented strict quality control procedures to ensure the quality, safety and reliability of our products that are outsourced to third-party manufacturers. We typically conduct site inspections of the manufacturing facilities of potential third-party manufacturers and select them based on a variety of factors, including their compliance with GMP standards and other relevant international safety standards, relevant experience and reputation in the industry, quality control measures, receipt of required certificates, licenses and permits and pricing terms. We also implement stringent product quality requirements on our third-party manufacturers and quality control checks on the final products to ensure that they meet the quality requirements as set out by us.

Currently, we outsource to third-party manufacturers the production of the following products:

- *Own brand health and wellness products*: We collaborate with select GMP-accredited or ISO-certified manufacturers, including but not limited to the Jacobson Connected Persons (as further described in the section headed "Connected Transactions — Partially Exempt Continuing Connected Transactions — 2. Manufacturing Services Agreement"), for the production of BITE-X and certain Dr. Freeman products.

- *Own brand CCMG products*: We have engaged multiple GMP-accredited manufacturers, including a long-established provincial state-owned manufacturer whose manufacturing facilities are GMP-certified in accordance with both PRC and TGA standards, to manufacture all our own brand CCMG products.

- *Other proprietary Chinese medicines*: We outsource the production of miscellaneous proprietary Chinese medicines, including pei pa koa (枇杷膏), that are not produced in large quantities to a Hong Kong manufacturer.

Save for the Jacobson Connected Persons, all the remaining third-party manufacturers we engage are Independent Third Parties and have maintained stable business relationships with us. We did not experience any material issue or dispute in relation to product quality or product delivery schedule with any of our third-party manufacturers during the Track Record Period, except the voluntary product recall incident by the Orizen Group, our then associates, concerning a third-party manufacturer of our own brand CCMG products as described in the section headed "— Sales and Distribution — Product Returns, Recalls and Warranties" below.

For our antiseptic hand rubs (manufactured by the Jacobson Connected Persons), BITE-X and certain miscellaneous proprietary Chinese medicines, we place purchase orders on an on-demand basis during the Track Record Period. The table below sets forth a summary of the principal arrangements with the rest of our third-party manufacturers:

Principal arrangements	Summary
Duration	The term of the third-party manufacturing arrangements is generally for three years.
Manufacturing period	The manufacturing period varies depending on the product type, quantity of order and manufacturing capacity.
Intellectual property rights	We generally have the intellectual property rights of our products, except for the home diagnostic influenza product, where the third-party manufacturer retains the patents for the technologies invented in connection with the product while we own the trade mark such as "Dr. Freeman (醫臣)."
Raw material procurement policy	The third-party manufacturer must procure the raw materials that comply with the prescribed specifications themselves.

Principal arrangements	Summary
Quality requirements	The third-party manufacturer is generally required to carry out all necessary quality control measures and keep the manufacturing records well in order to meet our product quality standards and relevant manufacturing requirements. A certificate of analysis is typically attached to the products delivered to us confirming that the products comply with the specifications and quality standards as required by us or endorsed by the relevant regulatory requirements. We will only accept products that meet the prescribed specifications.
Basis of determining relevant fees	Fees are generally calculated based on cost of goods and market prices, in line with industry norm and subject to adjustments through mutual consent in the event of changes to market conditions that are reasonably beyond the control of either party.
Return policy	We are generally required to inform the third-party manufacturers within seven to 15 days of receipt of any defective or damaged products and arrange for replacement or refund.
Settlement	Settlement terms range from full payment prior to delivery of the products to within 30 days of receipt of the products.
Non-competition	The third-party manufacturer is prohibited from manufacturing our products for itself or any other entity within our distribution territories as specified in the agreement.
Renewal	The third-party manufacturing arrangements may generally be renewed or extended upon mutual agreement or deemed to be renewed if the parties do not give written notice to terminate the arrangement.
Termination	The third-party manufacturing arrangements may be terminated by either party in the event of a material breach that is not remedied within a prescribed time period or expiration of contract term, among others.

BRAND MANAGEMENT AND MARKETING

We manage a portfolio of well-established and trusted third-party brands and own brands, and are committed to driving high brand engagement and sales through our multi-channel marketing campaigns. As of July 31, 2020, we had a dedicated brand management and marketing team of 11, with an average of 14 years of experience in brand management and marketing. Our brand management and marketing team is responsible for evaluating the strengths, weaknesses, opportunities and threats of a product and its market, to identify market position of the product and distinct subsets within its consumer base and target market, and to create marketing plans. Our team also liaises with certain third-party brand owners and overseas distributors to build a consistent global brand image and share marketing materials. We employ a marketing strategy based on consumer insights and combine various media forms in a synergistic way to effectively penetrate our targeted consumer population. We conduct a range of marketing and promotional activities through various offline and online channels. Our advertising and promotion cost amounted to HK$32.5 million, HK$32.6 million, HK$31.8 million and HK$8.1 million, or 12.3%, 10.6%, 8.3% and 6.8% of our total revenue, for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively.

Offline Advertising and Promotion

We consider the traditional advertising channels, such as advertisements on television, prints (including newspaper and magazines), radio and outdoor billboards (such as posters on buses), sponsorships, product conventions and point-of-sale channels (such as in-store posters or light-box displays in registered pharmacies and retail outlets), are effective modes to promote our brands and products. Historically we have deployed a variety of offline advertising and marketing campaigns, some examples of which include:

- *Television advertisements*: We sponsored a primetime television show, "Come Home Love" (愛 • 回家), on Television Broadcasts Limited in 2019, for product placement advertisements to increase the public exposure of one of our branded medicines.
- *Event title sponsorships*: We were the event title sponsor of certain youth sports events, which is one of our target demographics. The events were titled and marketed together with the logo of Po Chai Pills.
- *Vending machines*: We set up pop-up vending machines for Flying Eagle Woodlok Oil in multiple locations in Hong Kong with advertising video, sales page and banner to expand the reach of consumer interaction.
- *Academic marketing*: To further promote and facilitate the usage of our CCMG products and strengthen our relationship with Chinese medicine practitioners, our medical director regularly participates as expert speaker in academic seminars, informational training sessions and presentations for Chinese medicine practitioners to enhance their industry knowledge.

The following pictures illustrate some of our offline advertising and marketing campaigns:

Online Marketing

We leverage various new media and social platforms to enhance exposure to end consumers through online marketing, including online coupon promotions and social media promotion. We cooperate with KOLs and influencers on major social media platforms (such as Facebook and Instagram) to promote various product contents tailored to different targeted consumer groups.

We integrate our online and offline marketing campaigns by engaging celebrities to promote our products in our online and offline marketing activities, such as online video series demonstrating the different efficacies of Po Chai Pills and sponsoring youth sports events, to maximize our marketing impact. We also stimulate consumer communications and engagement through different online platforms (such as Facebook) and offline activities. By establishing continuous direct communication with end consumers online and offline, we are able to gather insights into the differing consumer preferences in various products and markets. We seek to use such insights to devise more precise product positioning and brand management strategies to improve our product appeal and consumer interests, and at the same time to drive our product development initiatives, thereby achieving a virtuous cycle and propelling our continuous growth.

The following pictures illustrate some of our online branding and marketing campaigns:

Channel Marketing

We engage channel marketing through selected corporate clients, such as airlines, amusement parks and public transport companies, for our consumer healthcare products. This has allowed us to efficiently tap into our clients' large established network of employees and consumers to gain market coverage and increase brand awareness and product exposure with relatively cost-efficient promotional expenses.

Overseas Marketing

Our brand management and marketing team liaises with certain third-party brand owners and overseas distributors to build a consistent global brand image and share marketing materials. We mainly rely on overseas distributors to organize below-the-line marketing and promotional activities (such as in-store displays in retail chains, occasional special discount offers and promotional packs), while we focus on above-the-line advertisements (such as product placement in television commercials and billboard advertisements) and online marketing (such as advertising on popular PRC e-commerce and social media platforms, including Xiaohongshu (小紅書), Soyoung (新氧), Mama (媽媽網) and our WeChat and Weibo public accounts).

SALES AND DISTRIBUTION

Product registration is generally required for our branded healthcare products before they can be sold and supplied in Hong Kong, China and other select overseas markets. We have a dedicated team that closely monitors applicable regulatory regimes to ensure the successful and timely registration of our products in various countries and the continuous compliance with relevant product registration and product license requirements.

In terms of sales and distribution, we adopt a hybrid of sales and distribution models tailored for different products and geographic markets. We manage our sales and distribution networks in Hong Kong, China and other select overseas markets from our headquarters in Hong Kong. Our Hong Kong sales and distribution team is responsible for establishing sales plans, developing strategies for the introduction of products into new markets, expansion of our distribution network and overseeing local sales and marketing teams, who are responsible for effecting direct sales. Outside of Hong Kong, we sell our products primarily through distributorship and wholesaling arrangements with local third-party distributors, wholesalers and trading companies. We generally engage one to two well-established overseas distributors or wholesalers per region for the distribution of our selected products. The Notice on Improving Supervision over Cross-border E-commerce Retail Imports (《關於完善跨境電子商務零售進口監管有關工作的通知》) that came into effect on January 1, 2019, permits sellers outside China to sell goods, including selected branded healthcare products, that fall within the List of Imported Goods in Cross-border E-commerce Retail directly to PRC consumers through certain registered e-commerce platforms. To capture the e-commerce market opportunities, our sales efforts in China have been increasingly focused on online distribution channel.

The table below sets forth our revenue by geographic region for the periods indicated:

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

Note:

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

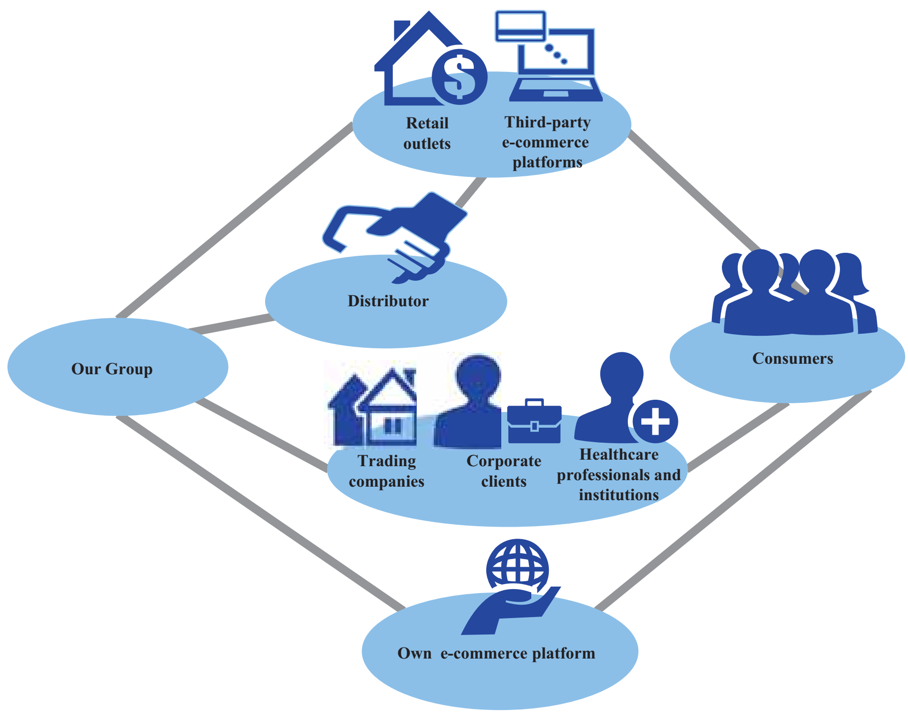
The table below sets forth our revenue by distribution channel for the periods indicated:

	Year ended March 31,						Four months ended July 31,			
	2018		2019		2020		2019		2020	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000 (unaudited)	%	HK$'000	%
Direct sales	227,881	86.2	245,365	79.8	323,265	84.7	57,852	85.0	104,242	87.8
Distributors and wholesalers	36,451	13.8	62,150	20.2	58,277	15.3	10,237	15.0	14,528	12.2
Total	**264,332**	**100.0**	**307,515**	**100.0**	**381,542**	**100.0**	**68,089**	**100.0**	**118,770**	**100.0**

Hong Kong

As of July 31, 2020, we had a sales team of 15, with an average of 17 years of experience in the industry. Many of them have worked in pharmaceutical companies or laboratories, medical device companies, trading companies, retail chain stores, dispensaries or clinics. We have maintained long-term business relationships with numerous key customers and have developed a deep familiarity with and understanding of the decision-making landscape of our different customer types, which enable us to formulate effective sales strategies and identify new business opportunities. In Hong Kong, the majority of our products are sold directly to major modern trade chain stores, registered pharmacies, drug stores, trading companies, corporate clients and (for CCMG products) Chinese medicine practitioners.

The following diagram illustrates the relationships among us, our principal customers and end consumers in Hong Kong:



During the Track Record Period, we primarily utilized direct sales for our third-party brand products and CCMG products, while adopting a hybrid model of direct sales and distributorship for sales of our other own brand products:

- *Third-party brand products*: We adopted a direct sales model for our third-party brand products mainly because we consider active marketing and promotion to be an important aspect of creating consumer awareness of these third-party brands and demand for these products. We believe direct sales provides us with access to consumer trends, preferences and purchasing behavior that can be valuable to our formulation of targeted marketing, advertising and promotional activities.

- *CCMG products*: We used direct sales for our CCMG products primarily because of their relatively unique and defined customer base of entirely Chinese medicine practitioners.

- *Other own brand products*: For our other own brand products, we utilized direct sales as well as distributorship mainly as a means of optimizing our coverage in different market segments and to leverage on the established distribution network of our distributors.

In light of the risk of cannibalization among our distributors and other customers, our sales team maintains close contact with our customers, reviews their purchase amounts and regularly visits retail outlets that carry our products to observe their end market prices. Any material fluctuations are discussed and reviewed with our senior sales management at monthly internal sales meetings to consider any further course of action.

Direct sales

We have established direct sales arrangements for the majority of our consumer healthcare products and proprietary Chinese medicines as follows:

- *Consumer healthcare*: We sell the majority of our consumer healthcare products directly to our corporate customers (including major modern trade chain stores, registered pharmacies and drug stores, trading companies, corporate clients and hospitals and clinics), and our end consumers (through our own online platform, GoSmart, and selected third-party online platforms such as Big Big Shop and HKTVmall).

  – *Corporate customers*: We generally do not impose standardized terms and conditions with our corporate customers. Instead, terms and conditions are discussed and negotiated on a customer-by-customer basis. Typically, these terms and conditions (to the extent there is a framework agreement) are for a one year period and include provisions such as our right to adjust our selling prices, our recommended (non-legally binding) retail prices and right of returns for defective products. We are generally required to pay shelving fees (subject to negotiation) to our direct modern trade chain retail store customers but not to our direct non-chain retail store customers. Our corporate customers generally place orders twice or thrice a month. For further details of our product return policy, see the section headed "— Product Returns, Recalls and Warranties" below.

  – *E-commerce*: We sell a selection of approximately 40 consumer healthcare products online directly to end consumers in Hong Kong through (i) our own online platform, GoSmart; and (ii) selected third-party online platforms, such as Big Big Shop and HKTVmall. The service agreements entered into between the third-party online platforms and us are generally open-ended. These third-party online platforms place purchase orders with us based on actual online orders they receive from end consumers. The retail prices for our products are paid by the end consumers to the payment gateway of the third-party online platforms, who then settle with us, net of commissions and any other applicable fees and charges payable by us to the third-party online platforms, on a monthly basis.

- *Proprietary Chinese medicines*: We presently directly sell our proprietary Chinese medicines (other than CCMG products) to trading companies, drug stores and pharmacies. We generally do not impose standardized terms and conditions with the trading companies. Instead, terms and conditions are discussed and negotiated on a customer-by-customer basis. The order placement pattern of the trading companies, drug stores and pharmacies may range from once every month to once every four months. We also sell 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 in 2019, according to the Frost & Sullivan Report). Chinese medicine practitioners that are frequent customers generally place purchase orders with us a few times a month and we would generally arrange delivery of products on a same-day basis. From time to time, we may also sell our CCMG products to non-profit organizations.

During the Track Record Period, we also sold certain third-party brand health and wellness products and proprietary Chinese medicines manufactured by us to a then subsidiary of Jacobson Pharma (which, subsequent to the Track Record Period, became an associated company of Jacobson Pharma as a result of a disposal of the equity interests by Jacobson Pharma in this subsidiary) for on-sale in their drugstores in Hong Kong.

Distributor

We engage a third-party distributor, our Hong Kong Distributor, which was ranked among the top three players in the proprietary Chinese medicine distribution market in Hong Kong in 2019 in terms of revenue, according to the Frost & Sullivan Report, to carry certain of our proprietary Chinese medicines and branded medicines (including Po Chai Pills, Tong Tai Chung Woodlok Oil and Konsodona Medicated Oil) primarily into large-scale modern trade chain stores in Hong Kong. We selected this distributor for its well-reputed track record in carrying branded proprietary Chinese medicines into sizable and popular chain operators in Hong Kong and its established relationship and bargaining position with these chain operators.

We entered into a three-year distribution agreement with our Hong Kong Distributor, specifying a variety of terms including the payment method, pricing policies and delivery arrangements, for its distribution of our products in Hong Kong (through certain specified modern trade retail chain stores) and China (through certain specified cross-border e-commerce platforms). The table below sets forth a summary of our current principal arrangements with our Hong Kong Distributor:

Principal arrangements	Summary
Duration	April 1, 2019 to March 31, 2022.
Order placement	We do not impose order frequency requirement on our Hong Kong Distributor, but it generally places orders once a every two to six months.
Designated distribution area	Our Hong Kong Distributor is only authorized to distribute our products in Hong Kong and, through certain specified cross-border e-commerce platforms, China. We may terminate the agreement in the event of non-compliance.
Rights and obligations of parties	Our Hong Kong Distributor is liable for any breaches of the distribution agreement and is responsible for indemnifying us for damages as a result of such breaches. During the Track Record Period, we did not experience any material breaches of the distribution agreement.
Obsolete stock management	As our Hong Kong Distributor is not required to return obsolete products, we do not impose any requirements on how they deal with obsolete stock.
Minimum purchase amount	Our Hong Kong Distributor undertakes a minimum annual purchase amount, and may be incentivized with retrospective volume discounts in the following year if they reach a specified purchase quantity. In the event our Hong Kong Distributor fails to meet its annual minimum purchase requirement, we may terminate the agreement.
Sales and expansion target	Sales of our products outside of the designated distribution area are subject to our written approval. No expansion target is imposed.
Pricing policy	We sell products to our Hong Kong Distributor at pre-determined prices as stipulated in the distribution agreement. Any adjustments to such prices will be subject to special terms where circumstances require.
Resale price management	Recommended resale prices are set forth in the distribution agreement for the reference of our Hong Kong Distributor.
Transportation	We are responsible for delivering the products to the destination point specified by our Hong Kong Distributor.

Principal arrangements	Summary
Sales and inventory reports and estimates. .	Our Hong Kong Distributor is required to provide sales reports detailing sales of our products in different types of chain retail operators on a monthly basis.
Return or exchange of products and product liability	Our Hong Kong Distributor is generally not allowed to return or exchange our products except for defective products. We are not liable to indemnify our Hong Kong Distributor or their related entities for any direct or indirect losses suffered by them, including circumstances where our product is found to be defective or has caused any adverse effect on the consumers.
Payment and credit terms	Payment shall be made within 30 days from the last day of the month when our Hong Kong Distributor placed a purchase order.
Conditions for termination and renewal....	The distribution agreement may be terminated by either party in the event of dissolution or insolvency, a material breach by the other party that is not remedied within a prescribed time period, or inability by the other party to perform its obligations under the agreement due to force majeure events, or expiration of contract term, among others. The distribution agreement may be renewed upon mutual agreement.

We have separately entered into two other distribution agreements with our Hong Kong Distributor for its distribution of Po Chai Pills in China (valid from April 1, 2020 to March 31, 2022) and Macau (through pharmacies, drug stores, retail stores and wholesalers from June 1, 2020 to March 31, 2022) in similar terms as described above. Under the distribution agreements with our Hong Kong Distributor, we have a seller-buyer relationship with our Hong Kong Distributor and we do not have any contractual relationship with or impose any control or oversight over any of its downstream customers. We retain no ownership over the products that we sell to our Hong Kong Distributor, and all significant risks and rewards associated with these products are transferred to our Hong Kong Distributor upon delivery to and acceptance by it. For details of our China and Macau distribution arrangements with our Hong Kong Distributor, see the sections headed "— China — Distributors — Po Chai Pills" and "— Select Overseas Markets" below.

China

Our distributors engaged in China primarily carried Flying Eagle Woodlok Oil and Po Chai Pills (under the trade name and packaging of Puji Pills) during the Track Record Period. None of our products are sold (directly or indirectly) to hospitals and clinics in China.

Distributors

Flying Eagle Woodlok Oil

We sell Flying Eagle Woodlok Oil in the PRC market through an independent third-party distributor (our "**Flying Eagle Woodlok Oil Distributor**"). We maintain a seller-buyer relationship with this distributor and leverage on its established distribution network and access to the local PRC retail channels and markets. Our Flying Eagle Woodlok Oil Distributor distributes the products to its downstream customers, including sub-distributors and drug stores, with whom we do not have any contract relationships or impose any control or oversight over. All significant risks and rewards associated with our products are transferred to our Flying Eagle Woodlok Oil Distributor upon delivery to and acceptance by it of our products and we do not retain any ownership over the products. For details of our distributor management, see the section headed "— Distributor Management" below.

We entered into a three-year distribution agreement with our Flying Eagle Woodlok Oil Distributor for the sale of our Flying Eagle Woodlok Oil, specifying a variety of terms including the payment method, pricing policies and delivery arrangements. The table below sets forth a summary of our principal arrangements with our Flying Eagle Woodlok Oil Distributor in China:

Principal terms	Summary
Duration	November 4, 2019 to December 31, 2022.
Order placement	We do not impose order frequency requirement on our Flying Eagle Woodlok Oil Distributor.
Designated distribution area	Our Flying Eagle Woodlok Oil Distributor is only authorized to distribute our products in China. We may terminate the agreement in the event of non-compliance.
Rights and obligations of parties	Our Flying Eagle Woodlok Oil Distributor is liable for any breaches of the agreement and is responsible for indemnifying us for damages as a result of such breaches. During the Track Record Period, we did not experience any material breaches of the distribution agreement.
Obsolete stock management	As our Flying Eagle Woodlok Oil Distributor is not required to return obsolete products, we do not impose any requirements on how it deals with obsolete stock.
Minimum purchase amount	Our Flying Eagle Woodlok Oil Distributor undertakes a minimum annual purchase amount.
Sales and expansion target	Sales expansion may be proposed by our Flying Eagle Woodlok Oil Distributor and is subject to our approval. No expansion target is imposed but the proposed minimum annual purchase amount cannot be less than that of the previous year.
Pricing policy	We sell products to our Flying Eagle Woodlok Oil Distributor at pre-determined prices as stipulated in the agreement, subject to adjustments by mutual agreement within a prescribed framework in the second and third year or in the event of any material changes to manufacturing costs.
Resale price management	We do not set recommended resale price on our Flying Eagle Woodlok Oil Distributor.
Transportation	Our products are delivered to our Flying Eagle Woodlok Oil Distributor on an ex-works basis.
Sales and inventory reports and estimates	Our Flying Eagle Woodlok Oil Distributor is required to provide sales reports detailing sales of our products in different sales channels on a monthly basis.
Return or exchange of products and product liability	Our Flying Eagle Woodlok Oil Distributor is not allowed to return or exchange products except for defective products which shall be reported to us within seven days of receiving such products. We are not liable to indemnify our Flying Eagle Woodlok Oil Distributor or their related entities for any direct or indirect losses suffered by them, including circumstances where our product is found to be defective or has caused any adverse effect on the consumers.

Principal terms	Summary
Payment and credit terms	Payment shall be made on the date of delivery of our products.
Conditions for termination and renewal. . . .	The distribution agreement may be terminated by either party in the event of dissolution or insolvency, failure by the other party to perform its obligations under the agreement that is not rectified within a prescribed time period, by mutual agreement of both parties, or expiration of contract term, among others. The distribution agreement may be renewed upon mutual agreement or deemed to be renewed if the parties continue their seller-buyer relationships.

Po Chai Pills

During the Track Record Period, we sold Po Chai Pills (under the trade name and packaging of Puji Pills) in the PRC market through two independent third-party distributors. We have ceased to do business with our former distributor after our distribution agreement lapsed in the fourth quarter of 2019 in preparation for our strategic move to further cultivate the PRC market. In 2020, we invested in a jointly controlled entity established by our Hong Kong Distributor to collaborate with the PRC JV Partner, a renowned PRC state-owned conglomerate, under a joint venture arrangement to undertake the distributorship of our Puji Pills in China. Upon obtaining a GSP certificate under the joint venture arrangement which, to the best of our understanding, is currently expected to be in or around early 2021, we plan to commence our application procedures with the relevant PRC authorities for the change of our Puji Pills PRC distributor, and thereafter to proceed with utilizing this joint venture arrangement to undertake the distribution of our Puji Pills in China, which we currently expect to be in or around the first half of 2021. We believe this strategic collaboration will enable us to have better access to market intelligence, strengthen our PRC distribution channels and increase our product penetration. As an interim measure until the distribution of our Puji Pill in China can be formally overtaken under this joint venture arrangement, we have entered into a two-year distributorship agreement with our Hong Kong Distributor for the sale of Puji Pills in the PRC market, whereby it may purchase our Puji Pills for export and on-sell to its downstream customers in China to service any product demand in the region during this transition period. The terms of this distributorship agreement are similar to our arrangement with it for the sale of our products in Hong Kong as set forth in the section headed "— Sales and Distribution — Hong Kong — Distributor" above, except that this distribution agreement includes a maximum allowable return of damaged or obsolete goods capped at 2% of its actual purchase.

Cross-border e-commerce

The Notice on Improving Supervision over Cross-border E-commerce Retail Imports (《關於完善跨境電子商務零售進口監管有關工作的通知》) that came into effect on January 1, 2019 permits sellers outside China to sell goods, including selected branded healthcare products, that fall within the List of Imported Goods in Cross-border E-commerce Retail directly to PRC consumers through certain registered e-commerce platforms. We believe that cross-border e-commerce channels provide a cost-effective platform for us to reach out to our targeted consumers in China. Tapping into this massive online community with relevant health and wellness information will allow us to connect the dots between our products and the related lifestyle propositions. In addition to their appeal to customers who seek a convenient shopping experience, cross-border e-commerce channels also facilitate our market penetration to consumers in less affluent and more remote areas where modern retail channels are less established. As such, by leveraging the favorable policy development, we have been deploying resources in the development of cross-border e-commerce channels primarily for our health and wellness products, including:

- *Third-party online stores*: We have collaborated with our Hong Kong Distributor and others to distribute select products via cross-border e-commerce channels at their online flagship stores on different third-party e-commerce platforms, including JD.hk (京東國際) and Tmall (天貓); and

- *Own online store*: We are in the process of establishing a new online store on Tmall Global (天貓國際), a cross-border e-commerce platform under Tmall (天貓) at Tmall.hk. This online store will be established as a Tmall marketplace flagship store (天貓賣場型旗艦店), a type of Tmall Global merchant with high entry barrier designated for established corporations, for the direct retail sales of select branded healthcare products to PRC end consumers. As of the Latest Practicable Date, we have received approval from Tmall for the establishment and operation of our online flagship store and the admission of nine branded healthcare brands for the launch of their respective products. We intend to apply for approval from Tmall for the admission of an additional nine branded healthcare brands and are currently planning for an official launch of our flagship store in or around the Lunar New Year holidays in 2021, along with a range of cross-border e-commerce marketing initiatives, more particularly online performance marketing campaigns and pre-Lunar New Year festive promotions, to enhance our online presence and support the launch of our online store.

Select Overseas Markets

We sell our products outside of Hong Kong and China to Macau, Taiwan, as well as select countries in Southeast Asia, Europe, North America and the Caribbean Islands, primarily through distributorship and wholesaling arrangements with local third-party distributors, wholesalers and trading companies. We generally engage one to two well-established local distributors or wholesalers per country or region for the distribution of our selected products in their respective local markets. We have maintained long-term business relationship with our distributors and wholesalers.

We generally enter into a three-year distribution agreement with our distributors outside of China and Hong Kong, which includes provisions such as (i) our right to adjust the prices at which we sell products to the distributors; (ii) recommended (non-legally binding) retail prices; (iii) volume discounts (for selected customers from time to time as negotiated); (iv) product returns (which generally are not accepted unless the products are defective upon the receipt of goods); and (v) terms of delivery.

We do not generally offer indemnities to the distributors of our branded healthcare products. However, under exceptional circumstances such as when we expand our product into a new geographic market or where we are covered by a back-to-back indemnification from the third-party brand owner, we may (subject to negotiation) accept provisions to indemnify the relevant distributors against all direct losses, liabilities, claims, demands, damages, costs and expenses (except for loss of profit and any indirect or consequential loss suffered) which may be suffered or incurred by the distributor arising out of or in connection with any and all claims by any third parties solely due to any inherent defect in the product.

Our products are generally delivered to our distributors on a cost, insurance and freight basis. In particular, we have entered into a distribution agreement with our Hong Kong Distributor for its distribution of Po Chai Pills in Macau in similar terms to our distribution arrangement in Hong Kong as described in the section headed "— Sales and Distribution — Hong Kong — Distributor" above. For further details of our product return policy, see the section headed "— Product Returns, Recalls and Warranties" below.

We maintain a seller-buyer relationship with these distributors and we do not have any contractual relationship with or impose any control or oversight over their on-selling activities or their respective downstream customers. We retain no ownership over the products we sell to these distributors, and all significant risks and rewards associated with these products are transferred to these distributors upon delivery to and acceptance by them. For details of our distributor management, see the section headed "— Distributor Management" below.

While we do not enter into formal or term agreements with our overseas wholesalers and trading companies, our trading practices and terms with them are generally similar to those with our distributors outside of China and Hong Kong. Order placement frequency from our overseas distributors, other wholesaler and trading company customers varies depending on various factors, including the size of market demand for our products in those regions, lead time required for product shipping and delivery, shelf lives of the relevant products, customers' warehouse capacity and shipment cost, but in general may range from once to four times a year.

In addition, we also subscribe to certain overseas sales administrative services provided by the Jacobson Connected Persons, including orders management, sales and customer support services, to facilitate our sales of certain consumer healthcare products in Macau, Taiwan and Singapore. For further details, see the section headed "Connected Transactions — Partially Exempt Continuing Connected Transactions — 3. Overseas Sales Administrative Services Agreement."

Selection of Distributors

The engagement of distributors allow us to extend our product footprint and penetration in a market. We select our local and overseas distributors based on a number of factors, including their sales network, track record, industry experience, market position and reputation. We consider our success in cultivating and maintaining solid and stable relationships with our distributors to be founded on, among other factors, (i) working with a limited number of reputable and reliable distributors in each region; (ii) our well-recognized brands; and (iii) a competitive pricing strategy.

Distributor Management

We closely monitor the performance of our distributors by communicating with them on a regular basis or reviewing their sales and inventory reports and their sale targets as applicable. We periodically evaluate their performance based on various factors, including (i) maintenance of creditworthiness; (ii) quality of internal management; (iii) development and expansion of distribution network; (iv) warehousing facilities and delivery capabilities; (v) operating and business management capabilities; and (vi) overall sales performance.

By working with a limited number of reputable and reliable distributors, we are able to manage them through the above measures to ensure that they comply with the terms and conditions of the relevant distribution agreements. In the event of any non-compliance or performance issues, we can timely inform the relevant distributors to cease the non-compliant activities or improve their performance. We can terminate the relevant distribution agreement in case of a material breach by them that is not remedied within a prescribed time period. The above procedures, combined with our policies that we generally do not accept product returns unless the products are defective, help to ensure that our sales to distributors reflect genuine market demand and mitigate the risk of inventory accumulation in the distribution channels. We are not aware of any material accumulation of stock by our distributors during the Track Record Period.

Our distributors are entitled to choose their sub-distributors and negotiate the transaction terms directly with them. We do not have contractual relationship with any sub-distributors that are used by our distributors and we do not impose any control or oversight over them.

The following table sets forth the changes in the number of our distributors during the periods indicated:

	Year ended March 31,			Four months ended July 31,
	2018	2019	2020	2020
Number of distributors at the beginning of period	5	6	10	9
Number of new distributors	1	4	4	0
Number of terminated or lapsed distributors	0	0	5	0
Number of distributors at the end of the period	6	10	9	9
Number of overseas markets outside of Hong Kong covered at the end of the period	3	5	5	5

The following table sets forth the major products distributed and markets covered by our distributors during the periods indicated:

Distributors	Major products distributed							Year ended March 31,			Four months ended July 31,
	Hong Kong	PRC	Macau	Singapore	Malaysia	Thailand	Canada	2018	2019	2020	2020
Our Hong Kong Distributor	Po Chai Pills, Tong Tai Chung Woodlok Oil, Konsodona Medicated Oil(1)	Puji Pills(1)	Po Chai Pills(1)	–	–	–	–	√	√	√	√
Distributor A	–	Puji Pills	–	–	–	–	–	√	√	T/L(2)	–
Distributor B	–	–	–	Po Chai Pills	–	–	–	√	√	√	√
Distributor C	–	–	–	Po Chai Pills	–	–	–	√	√	T/L(2)	–
Distributor D	–	–	–	–	Po Chai Pills	–	–	√	√	T/L(2)	–
Distributor E	–	–	–	–	–	–	Po Chai Pills	–	√	T/L(2)	–
Distributor F	–	–	–	–	–	Po Chai Pills	–	–	–	√	√
Distributor G	–	Flying Eagle Woodlok Oil	–	–	–	–	–	√	√	T/L(2)	–
Distributor H	–	Flying Eagle Woodlok Oil	–	–	–	–	–	–	–	√	√
Distributor I	–	–	–	Ear–sol Ear Drops, Benastat Wound Powder	–	–	–	–	√	√	√
Distributor J	–	–	–	AIM Atropine Eye Drops	–	–	–	–	√	√	√
Distributor K	–	–	–	–	–	Certain Smartfish products	–	–	√	√	√
Distributor L	–	–	Certain Ho Chai Kung branded products	–	–	–	–	–	–	√	√
Distributor M	–	–	–	–	AIM Atropine Eye Drops	–	–	–	–	√	√

Notes:

(1) Aside from the existing distribution agreement entered into on April 1, 2019 for the distribution of selected products through large-scale modern trade chain stores in Hong Kong and specified cross-border e-commerce platforms, we have also separately entered into two distribution agreements with our Hong Kong Distributor for its distribution of Puji Pills in China from April 1, 2020 and Po Chai Pills in Macau from June 1, 2020.

(2) Distributorship was terminated or lapsed during the financial year as indicated.

During the year ended March 31, 2020 we terminated our distribution agreement with Distributor G prior to its term of expiry mainly as a result of its unsatisfactory performance. During the same financial year, distribution agreements with four of our distributors were also lapsed without renewal, being: (i) Distributor A, our then Po Chai Pills distributor for the PRC market (as described in the section headed "— Sales and Distribution — China — Distributors — Po Chai Pills" above) which we have since ceased to do business with; (ii) Distributors C and D which, in light of our long-term business relationships, we have continued to trade with as wholesalers based on our pre-existing distribution terms after the lapse of our agreements with an objective of re-visiting our terms of trade and cooperative arrangements going forward; and (iii) Distributor E, mainly due to their shift in business direction as noted by our management.

To the best knowledge of our Directors, (i) the use of distribution model is consistent with industry norm; (ii) all our distributors during the Track Record Period are Independent Third Parties; and (iii) our distributors are primarily engaged in the distribution of branded healthcare products in their respective jurisdictions.

Other than our Hong Kong Distributor, whom Jacobson Pharma has subscribed for its shares at the time of its initial public offering pursuant to a cornerstone investment agreement, and who is the parent company of Profit Cape Limited (being one of our Strategic Investors), none of our distributors have any past or present relationship with our Group other than the distributorship arrangements with us. For further details of our Strategic Investors, see the section headed "History, Reorganization and Corporate Structure — Pre-IPO Investments — Background of the Strategic Investors."

Pricing Policy

We set the prices of our products with reference to general market conditions and various factors, including demand and supply of our products, product costs (including raw materials, packaging materials), overheads (including production, quality control and quality assurance costs), relative pricing of competing products, our bargaining power, historical sales data and anticipated market trends. We also take into account the expected profit margin of our customers when setting the prices of our products to avoid large variance in retail prices at different points of sale. For products sold through the e-commerce channels, we also take into account the various discounts and promotional events that are held by the e-commerce platforms. We may offer volume discounts and performance rebates to our customers on a case-by-case basis. For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, the volume discounts and performance rebates granted to our customers amounted to HK$4.4 million, HK$5.4 million, HK$9.9 million and HK$1.2 million, or 1.7%, 1.8%, 2.6% and 1.0% of our total revenue, respectively. During the Track Record Period, credit terms granted to our customers generally ranged from prepayment of partial deposits to 108 days upon delivery depending on the product type and the type and credit worthiness of the customers. As of July 31, 2020, our highest priced product, the Oncotype DX Breast Recurrence Score® assay (a genomic-based breast cancer diagnostic test), was priced at HK$35,200. The rest of our product prices ranged from approximately HK$30 to approximately HK$350 per SKU for branded medicines, from approximately HK$30 to approximately HK$420 per SKU for our health and wellness products and from approximately HK$8 to approximately HK$50 per SKU for our proprietary Chinese medicines.

Distribution and Logistics

In light of our multiple manufacturing locations and the frequent delivery of a variety of products to a large number of locations, we primarily utilize external logistics services to facilitate deliveries of our finished products (except for Po Chai Pills). Historically, we also utilized certain inventory and logistical management services from the Jacobson Connected Persons to manage the large volume of our wide variety of finished products and the frequent shipments of products from third-party brand owners in various countries.

Hong Kong

In Hong Kong, we primarily employ three different logistics services for different products:

- *Jacobson Connected Persons*: During the Track Record Period, we utilized the logistics services of the Jacobson Connected Persons for the distribution of some of our products. Under that arrangement, the Jacobson Connected Persons provided services from usage of warehousing facilities, loading and unloading, trucking, as well as invoicing and payment settlements for certain of our products, which we consider to be largely in line with market practice. The Jacobson Connected Persons operate with a Wholesaler Dealer License holder approved by the Pharmacy and Poisons Board of Hong Kong. It is also supported with a SAP-powered system to handle sales and accounts data management, which enables direct interfacing with our SAP-powered system to facilitate real-time ordering and inventory updates. In preparation for the Spin-off and in line with our growth strategies, we have, subsequent to the Track Record Period, expanded our warehousing logistics capability and consolidated and internalized the inventory management, invoicing and payment settlement logistics for our Ho Chai Kung Tji Thung San, Ho Chai Kung Analgesic Tab, Tong Tai Chung

Woodlok Oil and Konsodona Medicated Oil (the sales of these products together accounted for 25.5% of our total revenue for the year ended March 31, 2020), and accordingly streamlined our logistics services arrangements with the Jacobson Connected Persons to only include primarily loading and unloading, and trucking services for our consumer healthcare products and certain proprietary Chinese medicines. For further details, see the sections headed "Connected Transactions — Partially Exempt Continuing Connected Transactions — 1. Logistics Services Agreement" and "Financial Information — Related Party Transactions."

- *In-house delivery fleet*: We maintain an in-house delivery fleet principally for the transport and delivery of our Po Chai Pills to trading companies in Hong Kong.
- *Independent third-party logistics service providers*: We utilize the logistics services of independent third-party logistics service providers for the transport and delivery of our CCMG products to Chinese medicine practitioners and for our products to end consumers who placed their orders online through GoSmart or HKTVMall.

Overseas

The responsibility for transportation costs from Hong Kong to our overseas distributors is subject to negotiation. Subject to the terms of agreement with our overseas distributors, we may utilize independent third-party logistics services for the transport and delivery of our products from Hong Kong to overseas ports of destination.

During the Track Record Period and as of the Latest Practicable Date, we had not experienced any significant delay or poor handling of goods that had materially and adversely affected our business operations. Furthermore, we do not anticipate any shortage of logistics services for the foreseeable future and we believe the current logistics market already provides sufficient alternative options of logistics service providers which can offer similar terms as our existing logistics service providers.

Seasonality

In general, the sales of our branded healthcare products remained fairly stable throughout the year during the Track Record Period and we do not consider that seasonality in any of our product categories was material.

Product Returns, Recalls and Warranties

Generally we do not accept product returns from our customers (except for our major modern trade chain store customers) unless the products are defective and proven to be our fault, which we believe to be in line with industry norm. For such defective products, we are fully responsible for the cost of return and replacement of these products and will properly dispose of the returned products. In respect of the return policy with our distributors, see the principal arrangements with our Hong Kong and PRC distributors as set forth in the sections headed "— Sales and Distribution — Hong Kong — Distributor" and "— Sales and Distribution — China — Distributors" above. On the other hand, we may allow the return of selected products of miscellaneous less publicized brands (such as pei pa koa, ointments and medicated oils that are primarily targeted for sale in smaller, stand-alone drug stores with relatively sporadic order placement patterns and slower-moving stocks) that will expire or have expired within three months as a means to incentivize our customers to carry these products by reducing their risk of accumulating obsolete stocks. Upon receipt of a product return application from our customers, the returned products are delivered and recounted at our warehouses, then transferred to our quality control personnel for assessment of product status and recount. Where products are validly returned, we will arrange for exchange. During the Track Record Period, we did not provide any warranties on our products. For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, 0.2%, 0.4%, 0.2% and 0.3% of our sales were returned, respectively.

We have also established relevant product recall procedures with reference to relevant requirements, including the GMP. Once we identify a branded medicine or proprietary Chinese medicine that is known or suspected to be harmful to users due to defective quality, safety, efficacy or regulatory status in the market, we will initiate our recall procedure pursuant to the recall guidelines issued by the Department of Health. A pharmaceutical product problem report form (including details of products and nature of problem) will be submitted to the Department of Health as notification. Once the recall is approved by the Department of Health, a recall letter and a recall reply form will be sent to all affected parties (which may include retailers, distributors, trading companies, corporate clients or consumers depending on the level of recall) according to our distribution records requesting the return of unused stock. Distributors and trading companies are required to arrange recall from its retailers systematically and then return all unused stock to us. All recalled products will be returned to us and a final report form of recall shall be prepared and submitted to Department of Health. The report shall record the reconciliation between the delivered and recovered quantities of the product. For regulatory recalls not due to quality issues and recall of our health and wellness products, we will initiate recall procedures internally. Similar procedures will be followed, except filling and submission of pharmaceutical product problem report form and final report form of recall to the Department of Health are not necessary.

During the Track Record Period before the Orizen Group became our subsidiaries, we were informed by the management of the Orizen Group of one incident of voluntary product recall concerning three batches of three of their own brand CCMG products (which later formed part of our own brand CCMG product offerings after we acquired control of the Orizen Group in August 2019) produced by a third-party manufacturer, and was primarily a result of the third-party manufacturer's unsolicited decision to change the amount of excipients used in the extraction process of the production with a view of reaching the registered rate of extraction from the medicinal ingredients. However, it was found that such changes in the amount of excipients used did not match with the particulars of their registration records. The subsequent Department of Health investigation revealed that no evidence on safety issue of the related products was found and no related adverse reports have been received. The affected batch of CCMG products being recalled represented 0.04% of our CCMG product sales during the financial year of the said incident.

In order to prevent similar incidents in the future, we have taken the following measures:

- outsourcing the production of a majority of our own brand CCMG products to another third-party manufacturer who is a long-established provincial state-owned manufacturer whose manufacturing facilities are GMP-accredited in accordance with both PRC and TGA standards;
- requesting our third-party manufacturers to operate manufacturing processes strictly in accordance with the registered particulars; and
- requesting our third-party manufacturers to inform us whenever there is a change in the manufacturing process, and to work out a solution together, so the third-party manufacturers would not be allowed to change the manufacturing method on their own.

During the Track Record Period, we also had an incident of voluntary product recall related to the lack of package insert in our Tong Tai Chung balm oil. According to the Chinese Medicine Ordinance, package inserts must be supplied for the sale of proprietary Chinese medicines in Hong Kong. Despite the lack of package inserts, the particulars required to be stated on the package insert were included in the outer packaging of Tong Tai Chung balm oil. We have duly rectified the incident by adding back the appropriate package inserts into the voluntarily recalled products and returned them to the customers.

The above incidents did not have any significant negative impact on our business, operation and financial condition. Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, there have been no material product returns or product recalls from our direct customers and we had not experienced any material complaint or product liability or other legal claims from our customers due to problems with the quality of our products.

MAJOR SUPPLIERS AND CUSTOMERS

Major Suppliers

Our suppliers include (i) raw material or packaging material suppliers; and (ii) finished good suppliers (namely third-party brand owners and third-party manufacturers).

Raw material or packaging material suppliers

For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, our five largest raw material or packaging material suppliers accounted for 72.9%, 66.4%, 67.3% and 78.3% of our total purchases of raw materials and packaging materials, respectively.

The table below sets forth certain information with respect to our five largest raw material or packaging material suppliers during the periods indicated:

Rank	Five largest raw material or packaging material suppliers	Major product categories bought from the supplier	Purchase for the period	Percentage to our total purchases of raw materials and packaging materials for the period	Principal business of the supplier	Length of relationship with us as of July 31, 2020	Credit period
			(HK$'000)	(%)		(year)	
Year ended March 31, 2018							
1	Supplier A	Packaging materials for proprietary Chinese medicines	9,857	28.9	Providing print-related services and products	9	30 days
2	Supplier B	Raw materials for proprietary Chinese medicines	7,132	20.9	Wholesaling Chinese medicines	9	30 days
3	Supplier C	Raw materials for branded medicines	3,320	9.7	Importing pharmaceutical ingredients	3	30 days
4	Supplier D	Raw materials for proprietary Chinese medicines	2,517	7.4	Importing and exporting raw materials and ingredients of Chinese medicines and pharmaceuticals	14	30 days
5	Supplier E	Packaging materials for branded medicines	2,031	6.0	Exporting packaging materials	3	Advance payment
Year ended March 31, 2019							
1	Supplier A	Packaging materials for proprietary Chinese medicines	10,817	24.6	Providing print-related services and products	9	30 days
2	Supplier B	Raw materials for proprietary Chinese medicines	8,092	18.4	Wholesaling Chinese medicines	9	30 days
3	Supplier D	Raw materials for proprietary Chinese medicines	6,339	14.4	Importing and exporting raw materials and ingredients of Chinese medicines and pharmaceuticals	14	30 days
4	Supplier E	Packaging materials for branded medicines	2,230	5.0	Exporting packaging materials	3	Advance payment
5	Supplier F	Packaging materials for proprietary Chinese medicines	1,766	4.0	Providing print-related services and products	15	30 days

Rank	Five largest raw material or packaging material suppliers	Major product categories bought from the supplier	Purchase for the period	Percentage to our total purchases of raw materials and packaging materials for the period	Principal business of the supplier	Length of relationship with us as of July 31, 2020	Credit period
			(HK$'000)	(%)		(year)	
Year ended March 31, 2020							
1	Supplier A	Packaging materials for proprietary Chinese medicines	8,109	20.0	Providing print-related services and products	9	30 days
2	Supplier B	Raw materials for proprietary Chinese medicines	6,299	15.6	Wholesaling Chinese medicines	9	30 days
3	Supplier D	Raw materials for proprietary Chinese medicines	6,103	15.1	Importing and exporting raw materials and ingredients of Chinese medicines and pharmaceuticals	14	30 days
4	Supplier C	Raw materials for branded medicines	3,585	8.9	Importing pharmaceutical ingredients	3	30 days
5	Supplier E	Packaging materials for branded medicines	3,132	7.7	Exporting packaging materials	3	Advance payment
Four months ended July 31, 2020							
1	Supplier A	Packaging materials for proprietary Chinese medicines	3,410	37.5	Providing print-related services and products	9	30 days
2	Supplier G	Raw materials for proprietary Chinese medicines	1,512	16.6	Exporting raw materials of Chinese medicines	2	60 days
3	Supplier H	Packaging materials for proprietary Chinese medicines	861	9.5	Providing print-related services and products	3	30 days
4	Supplier C	Raw materials for branded medicines	699	7.7	Importing pharmaceutical ingredients	3	30 days
5	Supplier D	Raw materials for proprietary Chinese medicines	631	7.0	Importing and exporting raw materials and ingredients of Chinese medicines and pharmaceuticals	14	30 days

Finished good suppliers

For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, our five largest finished good suppliers (namely third-party brand owners and third-party manufacturers) accounted for 91.8%, 88.6%, 58.7% and 63.3% of our total purchases of finished goods, respectively.

The table below sets forth certain information with respect to our five largest finished good suppliers during the periods indicated:

Rank	Five largest finished good suppliers	Major product categories bought from the supplier	Purchase for the period	Percentage to our total purchases of finished goods for the period	Principal business of the supplier	Length of relationship with us as of July 31, 2020	Credit period
			(HK$'000)	(%)		(year)	
Year ended March 31, 2018							
1	Merz	Branded medicines and health and wellness	9,062	39.4	Manufacturing medical esthetics, neurotoxin therapy, prescription medicine and consumer health and beauty products	13	90 days
2	Genomic Health, Inc., a wholly-owned subsidiary of Exact Sciences Corporation	Health and wellness	4,561	19.8	Providing diagnosis services	11	60 days
3	Supplier I	Health and wellness	3,984	17.3	Selling products in consumer, health care, safety and industrial, transportation and electronics businesses	20	30 days
4	Supplier J	Branded medicines	2,470	10.8	Manufacturing pharmaceutical and healthcare products	21	90 days
5	Supplier K[(1)]	Health and wellness	1,030	4.5	Manufacturing medical devices, non-prescription medicines and healthcare products	10	30 days
Year ended March 31, 2019							
1	Merz	Branded medicines and health and wellness	15,730	41.0	Manufacturing medical esthetics, neurotoxin therapy, prescription medicine and consumer health and beauty products	13	90 days
2	Genomic Health, Inc., a wholly-owned subsidiary of Exact Sciences Corporation	Health and wellness	6,354	16.6	Providing diagnosis services	11	60 days
3	Supplier L	Branded medicines	4,863	12.7	Manufacturing eye and oral medicines	1	Invoice month end
4	Supplier I	Health and wellness	4,157	10.8	Selling products in consumer, health care, safety and industrial, transportation and electronics businesses	20	30 days
5	Supplier J	Branded medicines	2,875	7.5	Manufacturing pharmaceutical and healthcare products	21	90 days
Year ended March 31, 2020							
1	Supplier M[(1)]	Proprietary Chinese medicines	25,476	19.1	Manufacturing Chinese medicines	Less than 1	Advance payment
2	Merz	Branded medicines and health and wellness	15,411	11.5	Manufacturing medical esthetics, neurotoxin therapy, prescription medicine and consumer health and beauty products	13	90 days
3	Supplier N[(1)]	Health and wellness	13,807	10.3	Manufacturing and selling consumer healthcare products	1	Advance payment

Rank	Five largest finished good suppliers	Major product categories bought from the supplier	Purchase for the period	Percentage to our total purchases of finished goods for the period	Principal business of the supplier	Length of relationship with us as of July 31, 2020	Credit period
			(HK$'000)	(%)		(year)	
4	Supplier O[(1)(2)]	Proprietary Chinese medicines and health and wellness	13,378	10.0	Manufacturing Chinese medicines and health and wellness products	Less than 1	30 days
5	Supplier P	Proprietary Chinese medicines	10,433	7.8	Manufacturing Chinese medicines	Less than 1	30 days
Four months ended July 31, 2020							
1	Supplier O[(1)(2)]	Proprietary Chinese medicines and health and wellness	11,459	28.8	Manufacturing Chinese medicines and health and wellness products	Less than 1	30 days
2	Supplier M[(1)]	Proprietary Chinese medicines	4,755	11.9	Manufacturing Chinese medicines	Less than 1	Advance payment
3	Supplier N[(1)]	Health and wellness	4,105	10.3	Manufacturing and selling consumer healthcare products	1	Advance payment
4	Supplier P	Proprietary Chinese medicines	2,626	6.6	Manufacturing Chinese medicines	Less than 1	30 days
5	Merz	Branded medicines and health and wellness	2,244	5.7	Manufacturing medical esthetics, neurotoxin therapy and prescription medicine and consumer health and beauty products	13	90 days

Notes:

(1) A third-party manufacturer for one of our principal own brands in the year ended March 31, 2020.

(2) During the Track Record Period, we also sold face masks to Supplier O, primarily as a result of the outbreak of COVID-19. For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, we sold nil, nil, HK$7.0 million and nil of face masks to Supplier O, respectively, which accounted for nil, nil, 1.8% and nil of our total revenue for the respective periods. Gross profit generated from Supplier O was nil, nil, HK$1.3 million and nil for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively.

We believe that we have good relationships with our major suppliers. To the best knowledge of our Directors, all of our five largest raw material or packaging material suppliers and our five largest finished good suppliers during the Track Record Period are Independent Third Parties and none of our Directors, supervisors or their associates or any person who owned 5% or more of our issued share capital as of the Latest Practicable Date had any interest in any of them. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any major difficulties in finding suitable suppliers. Furthermore, we did not have disputes with any or our major raw material or packaging material suppliers or finished good suppliers that would have a material impact on our business, financial condition or results of operations during the Track Record Period and up to the Latest Practicable Date.

Major Customers

For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, our five largest customers accounted for 35.2%, 40.4%, 28.3% and 40.9% of our revenue, respectively. There was a general decline in sales to our five largest customers in the year ended March 31, 2020, which we attributed in part to the negative impact of the social unrest in the second half of 2019 and the COVID-19 outbreak in 2020 on retail spending by visitors and local customers in Hong Kong. Sales to our five largest customers as a percentage of our total revenue also declined in the year ended March 31, 2020, which we attributed in turn to the additional revenue contributed by the sales of CCMG products since we acquired the controlling stake of the Orizen Group in August 2019.

The table below sets forth certain information with respect to our five largest customers during the periods indicated:

Rank	Five largest customers	Major product categories sold to the customer	Revenue for the period	Percentage to our total sales for the period	Principal business of the customer	Length of relationship with us as of July 31, 2020	Credit period
			(HK$'000)	(%)		(year)	
Year ended March 31, 2018							
1	Our Hong Kong Distributor	Branded medicines and proprietary Chinese medicines	27,897	10.6	Distributing and selling branded medicines, healthcare products and Chinese medicines	3	Cash-on-delivery or 30 days
2	Customer A	Branded medicines and health and wellness	19,792	7.5	Operating chain stores and retail outlets	10	60 days
3	Customer B	Proprietary Chinese medicines	18,906	7.1	Trading Chinese medicines	7	Cash-on-delivery
4	Customer C	Branded medicines and proprietary Chinese medicines	17,208	6.5	Trading Chinese medicines and pharmaceutical drugs	8	Cash-on-delivery
5	Customer D	Branded medicines and proprietary Chinese medicines	9,361	3.5	Trading Chinese medicines and pharmaceutical drugs	2	60 days
Year ended March 31, 2019							
1	Our Hong Kong Distributor	Branded medicines and proprietary Chinese medicines	37,088	12.1	Distributing and selling branded medicines, healthcare products and Chinese medicines	3	Cash-on-delivery or 30 days
2	Customer C	Branded medicines and proprietary Chinese medicines	25,858	8.4	Trading Chinese medicines and pharmaceutical drugs	8	Cash-on-delivery
3	Customer E	Branded medicines and proprietary Chinese medicines	21,808	7.1	Trading Chinese medicines and pharmaceutical drugs	8	Cash-on-delivery
4	Customer A	Branded medicines and health and wellness	19,789	6.4	Operating chain stores and retail outlets	10	60 days
5	Customer F	Branded medicines and proprietary Chinese medicines	19,643	6.4	Trading Chinese medicines and pharmaceutical drugs	8	Cash-on-delivery
Year ended March 31, 2020							
1	Our Hong Kong Distributor	Branded medicines and proprietary Chinese medicines	27,151	7.1	Distributing and selling branded medicines, healthcare products and Chinese medicines	3	Cash-on-delivery or 30 days
2	Customer C	Branded medicines and proprietary Chinese medicines	26,793	7.0	Trading Chinese medicines and pharmaceutical drugs	8	Cash-on-delivery
3	Customer E	Branded medicines and proprietary Chinese medicines	26,051	6.8	Trading Chinese medicines and pharmaceutical drugs	8	Cash-on-delivery
4	Customer A	Branded medicines and health and wellness	14,844	3.9	Operating chain stores and retail outlets	10	60 days
5	Customer F	Branded medicines and proprietary Chinese medicines	13,140	3.5	Trading Chinese medicines and pharmaceutical drugs	8	Cash-on-delivery

Rank	Five largest customers	Major product categories sold to the customer	Revenue for the period	Percentage to our total sales for the period	Principal business of the customer	Length of relationship with us as of July 31, 2020	Credit period
			(HK$'000)	(%)		(year)	
Four months ended July 31, 2020							
1	Our Hong Kong Distributor	Branded medicines and proprietary Chinese medicines	27,820	23.4	Distributing and selling branded medicines, healthcare products and Chinese medicines	3	Cash-on-delivery or 30 days
2	Customer G	Health and wellness	6,783	5.7	Manufacturing and distribution of post-surgery lingerie	Less than 1	30 days
3	Customer H	Branded medicines and health and wellness	6,645	5.6	Managing Hong Kong's public hospitals services	7	30 days
4	Customer A	Branded medicines and health and wellness	4,226	3.6	Operating chain stores and retail outlets	10	60 days
5	Customer C	Branded medicines and proprietary Chinese medicines	3,119	2.6	Trading Chinese medicines and pharmaceutical drugs	8	Cash-on-delivery

To the best knowledge of our Directors, none of our Directors, supervisors or their associates or any person who owned 5% or more of our issued share capital as of the Latest Practicable Date had any interest in any of our five largest customers during the Track Record Period, and all our five largest customers during the Track Record Period were Independent Third Parties.

QUALITY MANAGEMENT

We have established strict quality management procedures to ensure that our products are safe and of high quality. As of July 31, 2020, we had a total of 32 quality management personnel, comprised 19 quality control personnel and 13 quality assurance personnel. Among them, two are registered pharmacists, four possess master's degrees, and many of them had relevant prior working experience in GMP manufacturing or quality control.

As of July 31, 2020, we had a total of 12 individuals who had been approved by the Pharmacy and Poisons (Manufacturers Licensing) Committee as authorized person (responsible for releasing the products to the market), production manager (responsible for managing production) and quality control manager (responsible for quality control activities), and other personnel who are graduates of science related discipline and with more than three years of working experiences in GMP-accredited pharmaceutical companies carrying out related duties. These 12 individuals held the roles of authorized person, quality control manager, production manager, operational manager and general manager of various manufacturing facilities within our Group, respectively. In particular, six of these individuals were employed for the manufacturing of our Ho Chai Kung branded medicines (which, pursuant to the requirements under PIC/S GMP regime, is required to have an authorized person, a production manager and a quality control manager approved by the Pharmacy and Poisons (Manufacturers Licensing) Committee), which we believe would provide us with a reasonable buffer against any personnel changes without materially affecting our manufacturing operations.

Quality Assurance

Our quality assurance personnel are responsible for maintaining adequate systems to ensure the quality, efficacy and safety of our self-manufactured products and to ensure GMP compliance, where applicable. Certain of our self-manufactured branded medicines and proprietary Chinese medicines for select overseas markets must be manufactured under conditions and practices required by the GMP guidelines, which covers all aspects of production from the starting materials, premises and equipment to the training and personal hygiene of staff.

Our quality assurance personnel formulate detailed written procedures for each process that could affect the quality of a finished product. They ensure that these procedures are consistently followed at each step of the manufacturing process with documented proof that (i) the facilities and equipment are in good condition, properly maintained and calibrated; (ii) staff are qualified and fully trained; and (iii) processes are reliable and reproducible. Qualification and validation are carried out to generate sufficient data to provide assurance and documented evidence that the facility, equipment, process or an analytical method operating within specified parameters consistently produce results within predetermined specifications. Our quality assurance personnel establish standards and specifications, maintain and monitor document control and review, manage material suppliers, maintain environmental and facility controls and monitoring, manage change controls, manage corrective actions and preventive actions, manage product deviations, manage risks, monitor GMP compliance, oversee training, and manage audit activities. For example, our quality assurance personnel maintain an approved vendors list from which our procurement department can source raw materials. New raw material suppliers are subject to the review and approval of our quality assurance personnel using a vendor management system, and their GMP certificates or suitable standard certificates must be available for review and verified. Any changes would need to be reported to our quality assurance personnel for evaluation and approval.

Quality Control

Our quality control personnel are responsible for arranging or carrying out all necessary and relevant tests on raw materials, work in progress, finished products, verification of manufacturing processes, environmental and water monitoring, method and process validation and equipment calibration. We have adopted manufacturing quality control policies strictly in accordance with Hong Kong and international standards. These policies are implemented throughout our manufacturing process, including supplier qualification, raw material inspection, manufacturing process control, packaging and product inspections. Our quality control personnel are responsible for the preparation of analytical procedures, establishing raw materials and product specifications and arranging or carrying out sampling and analysis. Analytical activities include chemical and physical analysis of raw materials, work in progress and finished products, setting up stability program, performing microbiological testing to prevent biological hazards for branded medicines and carrying out stability studies to determine storage condition and product shelf life.

When we receive APIs, the API manufacturers (regardless of whether they are GMP-accredited or not) must include a certificate of analysis confirming that the materials comply with the prescribed specifications. Each lot of raw materials, packaging materials, work in progress (where appropriate) and finished products are quarantined until they have been sampled, tested and released for use by our quality control personnel. Final release of products from quarantine area is carried out only when all documents pertaining to the production have been reviewed by the heads of the related departments and approved by the authorized person.

Quality Standards and Certifications

According to our Legal Counsel, our operations are in compliance with applicable Hong Kong laws and regulations in relation to the manufacturing and sales of branded healthcare products in all material respects. Our manufacturing facilities and certain products have also been accredited with various international quality management certifications. For example,

- we have established a quality control system in accordance with ISO 9001 and have operated with GSDP accreditation issued by SGS; and
- we have obtained the relevant drug registration licenses or authorization in the relevant product markets.

In order to obtain and maintain these certifications, we have to meet the quality and hygiene standards set by the relevant governments and recognized organizations, covering different stages of the manufacturing process from raw materials procurement, manufacturing and maintenance of manufacturing facilities to finished products and storage of our consumer healthcare products.

PIC/S GMP accreditation

In Hong Kong, all Western medicines must be manufactured under GMP in accordance with the PIC/S GMP Guide set forth by the Pharmacy and Poisons Board of Hong Kong, which aligns the Western medicines produced in Hong Kong with international GMP standards and quality systems. Accordingly, our manufacturing facility for the production of our Ho Chai Kung branded products is PIC/S GMP-accredited and is subject to annual inspection by the Department of Health to ensure GMP-compliance. We have obtained the License for Manufacturer and GMP Certificate issued by the Pharmacy and Poisons Board of Hong Kong for this manufacturing facility and they may be renewed together by submitting a renewal application form to the Pharmacy and Poisons Board of Hong Kong approximately six months prior to their expiry dates.

GMP accreditation

The Chinese Medicines Board has developed GMP guidelines on the standards of manufacture and quality control of proprietary Chinese medicines in Hong Kong. While GMP-accreditation is not compulsory for the production of proprietary Chinese medicines in Hong Kong, we have two GMP-accredited manufacturing facilities mainly for the production of Po Chai Pills and Flying Eagle Woodlok Oil. As of the Latest Practicable Date, we remained as one of the few GMP-accredited proprietary Chinese medicine manufacturers in Hong Kong, according to the Frost & Sullivan Report. We have obtained the Manufacturer License and GMP Certificate issued by the CMCHK for these manufacturing facilities. We generally submit renewal applications for these licenses and certificates (which are processed separately by the CMCHK) approximately six months prior to their expiry dates. In addition to reviewing our renewal application that includes detailed documentations (including a list of quality control documents, manufacturing manual and product samples), the Chinese Medicine Regulatory Office of the Department of Health will also conduct on-site audit to determine GMP-compliance. We are subject to such inspection from the Chinese Medicine Regulatory Office of the Department of Health once every two years as part of the renewal process.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material findings of rectifications or recommendations from the relevant government authorities and accreditation bodies.

Quality Management over Manufacturing Process

The following are the key steps of our quality management over the manufacturing process of our own brand products and the packaging process of products produced by our third-party manufacturers:

- *Starting materials*: Each lot of incoming raw materials received by the warehouse is assigned with a unique receiving lot number. A quarantine label affixed on each container. Sampling, identification and any prescribed tests and assay (for APIs) are conducted by our quality control personnel according to standard operating procedures. The released label is affixed on each container after our quality control personnel release the material.

- *Packaging materials*: Each lot of incoming packaging materials is sampled and verified against the packaging material specification by our quality control personnel. The released label is affixed on each container after the quality control personnel release the packaging material.

  Packaging materials are stored at our warehouse and distributed to packaging section at the time of production. The quantity issued for packaging use is based on the amount specified in the batch packaging record. The identity and quantity of packaging material is checked by our quality control personnel before product manufacturing or upon receipt of products produced by third-party manufacturers. Reconciliation is carried out for printed packaging materials at the end of the packing process.

- *Work in progress*: Work in progress are subjected to sampling and testing by our quality control personnel. They are released for production of the next stage by our quality control personnel. In-process control testing is performed by our product manufacturing personnel at regular intervals during production to ensure that the process is under control.

- *Finished products*: All finished batches are sampled for quality control testing according to finished product specifications after final packaging and become quarantined. Quarantined finished products are stored in designated quarantine area of the warehouse. The head of the quality control team verifies the analytical data in the product analysis record against specifications. The head of our production team reviews and counterchecks the production batch records, packaging records and other related documents. The authorized person is responsible for the final approval of the release for sale. The approved finished products are affixed with released label.

Quality Management over Finished Products Manufactured by Others

We also implement quality control procedures to ensure the quality, safety and reliability of the finished products supplied by third-party brand owners and own brand products produced by third-party manufacturers. Our quality control personnel conduct inspection upon the delivery of such finished products to our warehouses in accordance with the packages and product descriptions under the purchase order form or delivery note. While we do not conduct sample testing on all finished products supplied by others, our quality control personnel will ensure the finished products delivered to us are attached with a certificate of analysis, which details the quality test results of the products. We will only accept products that meet the specification and quality standards as required by us. After each inspection by our quality control personnel, we will maintain records of the inspection conducted.

Upon completion of the said inspection procedures, the products are delivered and transported to the designated location in our warehouse for storage. If such products do not pass the examination, or if the quantities, packages and descriptions of the products are not in line with the purchase order, our quality control personnel will move such products to a designated area and will then notify the respective suppliers as soon as possible for product exchange.

INVENTORY CONTROL

We focus on optimizing our inventory management to provide high quality products. We believe our efficient and responsive inventory management system enables us to better manage the time to market of our products, our rates of inventory turnover, our inventory levels and our storage space and costs, thereby helping us to remain competitive and reduce the risks associated with the deterioration of raw materials and products.

Inventory Management

Our inventories primarily consist of raw materials, packaging materials, work in progress and finished products. We maintain computerized enterprise resource planning ("**ERP**") systems to track the incoming and outgoing inventory. These systems enable us to monitor levels of inventory on a timely basis so as to maintain an optimum level of raw materials, packaging materials, work in progress and finished products. Our safety inventory levels for raw materials, work in progress and finished products are based on our historical sales, actual sales activities available from our ERP systems and through the communication among operating departments and information from our customers to assess the market demand for our products, and future sales projections. Where we identify inventory closer to expiration, we may liaise with our customers to organize promotional campaigns to stimulate faster moving of such products.

Raw Materials and Packaging Materials

All of our manufacturing facilities are equipped with warehouses for storage of raw materials and packaging materials. Our procurement team purchases raw materials and packaging materials based on the sales plans prepared by our sales team. To cope with the market demand and manufacturing schedule, we manage our raw material inventory levels carefully to have not more than four to six months inventory for items with two to three months lead time and maintain higher inventory level for high consumption materials or items with longer lead times.

Finished Products

Prior to the recent expansion of our warehousing logistics capability, we mainly utilized the logistics services of the Jacobson Connected Persons for finished products storage, as well as certain independent third-party logistics providers (for certain e-commerce sales). We generally stock our finished products at safety inventory levels that are sufficient for fulfilling the forecasted demand and, on average, around three to six months of inventory. For third-party brand products, the lead time from order placement to delivery of products to our warehouses ranges from three to four months.

LICENSES, PERMITS AND APPROVALS

Our branded healthcare products are subject to various compliance requirements: in Hong Kong, (i) some of our branded medicines are classified as pharmaceutical products under the Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong), which must be (a) registered with the Pharmacy and Poisons Board of Hong Kong; and (b) manufactured under GMP in accordance with the PIC/S GMP Guide set forth by the Pharmacy and Poisons Board of Hong Kong; and (ii) our proprietary Chinese medicines are generally classified as proprietary Chinese medicines under the Chinese Medicine Ordinance, which must be registered with the Chinese Medicines Board. For further details, see the section headed "Regulatory Overview — Laws and Regulations Relating to Our Business Operations in Hong Kong."

The following table sets forth our material licenses, permits and certificates:

License/Permit/Certificate	Issuing authority	Purpose	Company name	Expiry date
Pharmaceutical products				
License for Manufacturer	Pharmacy and Poisons Board of Hong Kong	Required for the legal manufacturing of pharmaceutical products in Hong Kong	• Karen Pharma	February 27, 2021[(1)(2)]
Certificate for Manufacturer (GMP Certificate)	Pharmacy and Poisons Board of Hong Kong	Required for the legal manufacturing and marketing of drugs and pharmaceutical products in Hong Kong	• Karen Pharma	February 27, 2021[(1)(2)]
Permit under the Antibiotics Ordinance	Department of Health	Required to purchase antibiotics raw material and manufacture products controlled under the Antibiotics Ordinance (Chapter 137 of the Laws of Hong Kong)	• Karen Pharma	September 30, 2021
Wholesale Dealer License	Pharmacy and Poisons Board of Hong Kong	Required for selling or supplying, by wholesale dealing, poisons and pharmaceuticals products controlled under the Pharmacy and Poisons Ordinance	• HCK Medicine	June 28, 2021
			• Vincents Pharma	January 1, 2022
			• Karen Pharma	January 1, 2022
Wholesale Dealer's License to Supply Dangerous Drugs	Department of Health	Required for being a wholesale dealer to supply dangerous drugs under the supervision of a person in charge of dangerous drugs	• Karen Pharma	January 1, 2022
License to Manufacture Preparations of Dangerous Drugs	Department of Health	Required for manufacturing preparations of dangerous drugs under the supervision of a registered pharmacist in charge of dangerous drugs	• Karen Pharma	January 1, 2022
License under the Water Pollution Control Ordinance	Environmental Protection Department	Required for discharging industrial trade effluent under section 20 of the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong)	• Karen Pharma	November 30, 2024
License under the Control of Chemicals Ordinance	Customs and Excise Department	Required for importing, exporting and selling controlled materials controlled under the Control of Chemicals Ordinance	• Karen Pharma	June 19, 2021
Proprietary Chinese medicines				
Manufacturer License	CMCHK	Required for the legal production of proprietary Chinese medicines in Hong Kong	• Europharm TCM	May 20, 2022
			• LCST (Holdings)	March 11, 2022
			• Jetstar	June 9, 2022
			• PCCH	March 20, 2022

License/Permit/Certificate	Issuing authority	Purpose	Company name	Expiry date
Certificate for Manufacturer (GMP Certificate)	CMCHK	Certifies that a manufacturer is licensed under the Chinese Medicine Ordinance	• Europharm TCM • LCST (Holdings)	September 17, 2022 March 26, 2022
Wholesaler License in Chinese Herbal Medicines.	CMCHK	Required for conducting business in the wholesale of Chinese herbal medicines in Hong Kong	• PCCH	April 24, 2021
Wholesaler License in Proprietary Chinese Medicines	CMCHK	Required for conducting business in the wholesale of proprietary Chinese medicines in Hong Kong	• PCCH	April 24, 2021

Notes:

(1) We have submitted our renewal application to the Pharmacy and Poisons Board of Hong Kong in August 2020.

(2) As advised by our Legal Counsel, we do not expect any legal impediments in the renewal of such licenses and certificates.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, (i) we had obtained all necessary registrations, licenses, permits and approvals from the relevant authorities that are material for our business operations, and such licenses, permits and approvals remained in full effect; and (ii) no circumstances existed that would render the revocation or cancelation of any registrations, license, permit or approval that are material to our business operations, and we did not experience any material difficulty in obtaining or renewing any required registrations, license, permit or approval.

COMPETITION

We are a leading Hong Kong-based company that markets and distributes branded healthcare products with product footprint across Greater China and other select countries in Southeast Asia, Europe, North America and the Caribbean Islands. In 2019, we were the fourth largest brand operator that carries both OTC proprietary medicines and OTC proprietary Chinese medicines in Hong Kong by revenue, according to the Frost & Sullivan Report. We primarily compete with manufacturers and distributors of pharmaceutical or healthcare products, drugs or traditional Chinese medicines, including local companies and multi-national corporations in countries where we operate. Our key competitive advantages include (i) strong ability to identify and source third-party brand products; (ii) track record of developing or manufacturing own brand products that are safe and of high efficacy and quality; (iii) breadth of product choice; (iv) time-honored and trusted brands; (v) effective brand management and marketing strategies; and (vi) established sales and distribution network. We believe there are relatively high entry barriers to the branded healthcare industry, for example:

- *Product registration*: Product registration is required for certain branded healthcare products before they can be sold and supplied in Hong Kong, China and other select overseas markets. New entrants need the expertise and stringent quality management procedures to meet these regulatory requirements.
- *Product portfolio*: Established market players generally have long and stable relationships with third-party brand owners, strong product development and manufacturing capabilities and a portfolio of high quality products. As such, third-party brand owners may favor them when a new product is launched, making it more difficult or capital intensive for new entrants to expand their product portfolio, and build their reputation and brand recognition. New entrants may also be at a disadvantage with respect to manufacturing costs of their own brand products because they may be purchasing raw materials at a higher price with the lack of economies of scale.
- *Sales and distribution networks*: Extensive distribution and sales networks are required for entry into our markets. Established market players generally have well-connected sales and distribution networks and are preferred for their reputation, high consumers' loyalty and proven sales performance, making it more difficult for new entrants to increase their points of sales. New entrants may also be less flexible to sell their products at more competitive prices and with discounted packages than competitors that have substantial financial and other resources.

For further details of the industry trends and competitive landscape, see the section headed "Industry Overview."

AWARDS AND RECOGNITIONS

The following table sets forth the major awards and certifications we have received:

Year	Brand/product receiving award	Award/recognition	Awarding institution/authority
2019	Po Chai Pills	Most Favorable Gastrointestinal Healthcare Product — Chinese medicine category (最愛腸胃保健產品 — 中式)	CR Care Company Limited
2015-2019	Contractubex	Health, Wellness and Beauty Silver Award (閃銀級健康美麗大獎 — 健康美肌產品)	Watsons
2018	Po Chai Pills	Ultimate Travel Brand Of Essential Gastrointestinal Medicine For Travel	Sky Publishing
2017	Po Chai Pills	Hong Kong Premier Brand (香港卓越名牌)	Hong Kong Brand Development Council and The Chinese Manufacturers' Association of Hong Kong
2016	Po Chai Pills	TVB Most Popular TV Commercial Awards — Citation for Excellence (TVB最受歡迎電視廣告大獎 — 優異獎)	TVB
2016	Tong Tai Chung	Hong Kong Top Brand (香港名牌)	Hong Kong Brand Development Council and The Chinese Manufacturers' Association of Hong Kong
2015	Smartfish	Sunday Kiss Citywide Favorite Parent-child Brand (Sunday Kiss 全城至愛親子品牌大獎)	Sunday Kiss Magazine
2015	Po Chai Pills	Hong Kong Top Brand (香港名牌)	Hong Kong Brand Development Council and The Chinese Manufacturers' Association of Hong Kong
2015	Po Chai Pills	Premium Chinese Medicine Enterprise Chinese Medicine Promotion Award (優質中藥企業 — 弘揚中藥獎)	Hong Kong Chinese Medicine Industry Ltd.
2014-2015	Mederma	Jessica Baby The Best Seller	Jessica Baby Magazine
2014	Contractubex	Top 10 Hong Kong Consumer Product Brands — Recommended Brands for Individual Visits (十大香港消費名牌)	China Post Trade Development Co., Ltd.
2014	Po Chai Pills	Top 10 Hong Kong Consumer Brand (十大香港消費名牌)	China Post Trade Development Co., Ltd.
2013	Contractubex	Customer's Most Favorable Hong Kong Brands (全國消費者最喜愛香港名牌系列活動之金獎品牌)	China Enterprise Reputation and Credibility Association (Overseas) Ltd.
2013	Contractubex	Jessica Supreme Award	Jessica Magazine
2013	Rowachol Capsules	Customer's Most Favorable Hong Kong Brands (2013年度全國消費者最喜愛香港名牌系列活動之金獎品牌)	China Enterprise Reputation and Credibility Association (Overseas) Ltd.

EMPLOYEES

As of July 31, 2020, we had a total of 275 employees based in Hong Kong. The following table sets forth a breakdown of our employees by function as of July 31, 2020:

Function	Number of employees
Procurement	4
Sales and marketing	42
Quality management	32
Factory, warehouse and operations	162
Finance, human resources and others	35
Total	**275**

Our employees are important strategic resources for our development. As of July 31, 2020, we had 5 registered pharmacists, and 17 employees with master's degrees or above.

Our employees typically enter into standard employment contracts with us, covering matters such as wages, employee benefits, productivity-related incentives, performance-related bonus, confidentiality obligations for commercial secrets, and grounds for termination. We set performance attributes for our employees based on their position and department and periodically review their performance. The results of such reviews are used in their salary determinations, bonus awards and promotion appraisals. We offer various benefit plans to our employees, including top-up leave entitlement, pension, medical, life insurance and maternity benefits. During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant difficulty in recruiting new employees and any significant employee turnover, as well as any incidence of strikes, work stoppages or significant labor disputes which materially affected or were likely to have an adverse effect on the operations of our business.

We place high value on recruiting, training and retaining our employees. We maintain high recruitment standards and provide competitive compensation packages. We also provide in-house and external trainings relating to management and professional skills and knowledge. We also sponsor the external training of our employees. We provide our manufacturing staff with general training on GMP practice, equipment operation and manufacturing. When new employees join, they will be closely monitored by experienced staff, and their training will be deemed complete if the trained techniques, operation procedures, manufacturing process can be performed correctly and independently and with the approval of the manufacturing supervisor or manufacturing manager. We engage recruitment agencies for placing candidates for certain highly specialized roles.

OCCUPATIONAL HEALTH AND SAFETY

Our employees' health and safety are one of our main concerns, and we emphasize on matters related to work safety. We are subject to various safety laws and regulations in Hong Kong that stipulate the requirements to maintain safe manufacturing conditions and to protect the occupational health of employees. Pursuant to these requirements, an entity that is not sufficiently facilitated or equipped to ensure safe manufacturing shall not engage in manufacturing and business operations. The design, manufacture, installation, use, inspection and maintenance of manufacturing facilities and equipment are required to conform to applicable national or industrial standards. For further details, see the section headed "Regulatory Overview — Laws and Regulations Relating to Our Business Operations in Hong Kong — Occupational Safety and Health Ordinance."

We have implemented safety measures at our manufacturing facilities to ensure compliance with applicable regulatory requirements and to minimize the risk of injury to employees. We provide manufacturing safety education and trainings to our employees to enhance their awareness of work safety. We also conduct periodic inspections of our facilities to ensure that our operations are in compliance with existing laws and regulations. We have a proper system in place for recording and handling accidents and maintaining health and safety laws and regulations in all material respects. We believe we are in compliance with applicable health and safety laws and regulations in all material respects. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material accidents and our Directors were not aware of any claims for personal or property damages in connection with health and occupational safety. During the Track Record Period, we are not aware of any non-compliance with the relevant laws and regulations in Hong Kong that had significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

ENVIRONMENTAL AND SOCIAL MATTERS

Environmental matters

We endeavor to minimize any adverse impact on the environment resulting from our business activities. We are subject to various Hong Kong laws, rules and regulations in relation to environmental protection. These laws and regulations govern a range of environmental matters, including air pollution, noise emissions, discharge of effluent water and general waste during our manufacturing processes and the controlled use, storage, handling and disposal of hazardous materials and chemicals. For further details of the applicable laws and regulations, see the section headed "Regulatory Overview — Laws and Regulations Relating to Our Business Operations in Hong Kong."

Our Directors believe that our manufacturing processes do not create any excessive environmental pollution, the impact of our operations on the environment is minimal and we have taken all necessary internal environmental protection measures. Prior to the Listing, we have adopted internal policies and procedures set by Jacobson Pharma, a company listed on the Main Board of the Stock Exchange, on various compliance matters, including the Stock Exchange's requirements on corporate governance and environmental, social and governance matters. We, as a subsidiary of Jacobson Pharma, have cultivated a compliance culture and will adopt similar policies and procedures as a separate listed company effective upon the Listing.

We maintain waste disposal measures and engage a waste collecting service provider to ensure that no chemical waste, dangerous waste or medical waste is produced during our manufacturing processes pursuant to the Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) and the Public Cleansing and Prevention of Nuisances Regulation (Chapter 132BK of the Laws of Hong Kong). In addition, we have adopted anti-pollution measures for the effective maintenance of environmental protection standards. Our costs incurred for compliance of relevant environmental laws, rules and regulations during the Track Record Period were relatively insignificant, and we expect our cost of compliance going forward will not have any material impact on our results of operations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with environmental regulations and we were not involved in any material environmental claims, lawsuits, penalties or administrative sanctions. There is, nevertheless, no assurance that we will not in the future be subject to environment liabilities or litigation that could result in the assessment of damages, imposition of fines against us or suspension of productions. For more details, see the section headed "Risk Factors — Risks Relating to Our Business — Our operations are subject to environmental regulations and may be exposed to liability and potential costs for environment compliance." In addition, changes in environmental regulations could necessitate additional capital expenditures, modification of operations or other compliance actions.

Social Matters

We have adopted policies on compensation and dismissal, equal opportunities, diversity, anti-discrimination, and other benefits and welfare. For example:

- we enter into employment contracts with our employees to protect the interests of the contract parties;
- we have an annual review system to assess the performance of our employees which forms the basis for salary raises, bonuses and promotion;
- we provide orientation programs for new employees and on-the-job trainings; and
- we are aware of the importance of board diversity and have implemented such policy which sets forth the objective and approach to achieve and maintain diversity of our Board.

For further details of the social matters, see the sections headed "— Employees" above, "— Occupational Health and Safety" above and "Directors and Senior Management — Board Diversity."

INSURANCE

We maintain limited insurance coverage such as material damage insurance, product liability insurance, public liability insurance, marine cargo insurance, money insurance, motor insurance, employees' compensation insurance, employees' life insurance and loss of profit insurance. Our Directors believe that the insurance coverage for our operation was adequate and was in line with industry practice in Hong Kong as of the Latest Practicable Date. However, the risks related to our business and operations may not be fully covered by insurance. See the section headed "Risk Factors — Risks Relating to Our Business — Our insurance coverage may not completely cover the risks related to our business and operations." During the Track Record Period and up to the Latest Practicable Date, we had not made, neither had we been the subject of, any insurance claims which are of a material nature to our Group.

INTELLECTUAL PROPERTY RIGHTS

The formulations and manufacturing processes of primarily all of our own brand branded healthcare products (namely our branded medicines, health and wellness products and proprietary Chinese medicines) are not confidential or patentable. In particular, our own brand branded medicines and proprietary Chinese medicines (including CCMG products produced by third-party manufacturers) are based on long established proprietary formulations based on ancient prescriptions, pharmacopeia prescriptions or customary Chinese prescriptions which are common to the public domain. These products are generally not eligible for grant of a patent as they are not patentable, new and inventive innovations that are capable of industrial applications.

Therefore, we primarily rely on the following to protect our intellectual property rights:

- *Trade marks*: Trade mark registration of our own brands is the most critical protection of our own brand branded healthcare products. Due to the proprietary or branded nature of branded healthcare brands and consumer recognition of branded healthcare products by their brands, the most valuable intellectual property protection associated with these products are their widely recognizable brand names, product names and logos, which are protected by trade marks.

  In particular, we hold 65 registered trade marks in Hong Kong, Macau, Taiwan, China, Indonesia, Malaysia, Singapore, Thailand and the United States which are material to our business. We also have three pending trade mark applications in Hong Kong which are material to our business, including our Company's logo.

- *Domain names and other intellectual property rights*: We are the owner of one domain name which is material to our business. For further details of our intellectual property rights, see "B. Further Information About Our Business — 2. Intellectual Property Rights of Our Group" in Appendix IV to this prospectus.
- *Contractual provisions*: Our confidential proprietary technologies, processes and know-how (including those relating to the formulation and manufacturing process of our own brand products including Flying Eagle Woodlok Oil and Po Chai Pills) are protected by intellectual property, confidentiality or non-competition clauses in the employment contracts of relevant employees and distribution agreements.
- *Anti-counterfeit protection*: We have also applied certain anti-counterfeit protection to the packaging of our products to differentiate them from fake or counterfeit products, such as anti-counterfeit ultraviolet marks to our Po Chai Pills (including Puji Pills for sales in China) and Flying Eagle Woodlok Oil and unique identification numbers to certain Ho Chai Kung branded products that correspond with our internal record of product batch list. In addition, our sales team regularly visits retail outlets in Hong Kong that carry our products to observe their general end market responses and incidents of fake or counterfeit products.
- *Designated personnel:* We have designated personnel that work with external lawyers and consultants to handle our intellectual property matters, such as the registration and maintenance of our intellectual property rights, the coordination to obtain or grant intellectual property licenses, and the litigation of any infringement or misappropriation actions. We identify potential infringement incidents by regularly conducting intellectual property searches (such as patent infringement searches) and review of competitors' trade marks conducted or obtained by our designated personnel.

During the Track Record Period and up to the Latest Practicable Date, we were not subject to, nor were we party to, any intellectual property rights infringement claims or litigations, and we had complied with all applicable intellectual property laws and regulations in all material respects. We have not been subject to any material infringement of our intellectual property rights or experienced any material incidents of counterfeit products during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that they were not aware of any incidents of intellectual property rights infringement, or restrictions with respect to our uses of intellectual property rights which would have a material adverse effect on our operations.

For risks relating to intellectual property rights infringement, see the sections headed "Risk Factors — Risks Relating to Our Business — We may be exposed to infringement claims, which may lead to monetary damages, the forfeiture of intellectual property and disruptions to our business" and "Risk Factors — Risks Relating to Our Business — We may not be able to adequately protect our intellectual property rights and prevent the existence of counterfeit products on the market."

RISK MANAGEMENT AND INTERNAL CONTROL

To manage our external and internal risks and to ensure the smooth operation of our business, we have engaged an internal control consultant (the "**Internal Control Consultant**") on January 21, 2020 to perform an overall assessment on our internal control system. Our Internal Control Consultant conducted fieldwork in Hong Kong between January 21, 2020 and April 10, 2020 and with testing performed on samples selected from January 1, 2019 to December 31, 2019, and also conducted follow up review from May 4, 2020 to May 22, 2020 to assess remediation of the control deficiencies identified.

During the internal control review, while our Internal Control Consultant has provided some recommendations for our management's consideration to enhance our internal control system, it has not identified any deficiencies in our risk management and internal control system in its initial and follow up reviews that would have had a material adverse impact on our business, financial condition or results of operations.

We have devoted ourselves to establishing and maintaining risk management and internal control systems to safeguard our Shareholders' investment and our assets at all times. We have adopted, or expect to adopt before the Listing, a series of internal control policies, procedures and programs that we consider to be appropriate for our business operations, including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

- *Code of conduct*: Our code of conduct explicitly communicates to each employee our values, acceptable criteria for decision-making and our ground rules for behavior. Our code of conduct also includes whistleblowing policies to encourage all employees to speak up against any sub-standard behavior.
- *Anti-corruption policies*: We have established anti-bribery policies and controls in payment and adopted control practice in bidding and market entry processes. Our policy prohibits paying or receiving bribes and kickbacks in commercial transactions. During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, our employees and distributors have not made any improper or illegal incentive payments.
- *Internal audit function*: We plan to set up an audit function, which will be responsible for evaluating the internal control environment based on the internal plan and report directly to the Audit Committee.
- *Compliance with the Listing Rules*: Our various policies aim to ensure compliance with the Listing Rules, including but not limited to aspects related to corporate governance, connected transactions and securities transactions by our Directors.
- *Compliance with the Competition Ordinance*: We have taken the following measures to ensure compliance with the Compliance Ordinance: (i) our executive Directors and senior management team have reviewed the latest publications and guidance materials issued by the Competition Commission to understand the requirements and implications of the Competition Ordinance and will review any new publication and guidance materials as they become available; and (ii) our executive Directors are responsible for reviewing our business practices on a regular basis to identify risks relating to competition laws that our business may face and consider the seriousness of the risks, and if necessary, to seek advice from our external professional advisors, including legal advisors.

The ultimate goal of our risk management process is to focus on the issues in our business operations that create impediments to our success. Our risk management process starts with identifying the major risks associated with our corporate strategy, goals and objectives. We encourage an all-embracing culture of risk management that ensures all employees are aware of and responsible for managing risks. Our Audit Committee, and ultimately the Board supervise the implementation of our risk management policy at the corporate level by bringing together each operating department, such as quality control, product development and sales, to collaborate on risk issues among different functions. For details of the qualifications and experiences of the members of our Audit Committee and the Board, see section headed "Directors and Senior Management." Based on the above, our Directors are of the view that we have taken reasonable steps to establish an internal control system and procedures to manage the risks exposed to us and to enhance the control environment in both daily operation and management levels. Accordingly, our Directors are of the view that the internal control system currently implemented by our Group is adequate and effective to our operations.

PROPERTIES

Owned Properties

The table below sets forth the properties we own in Hong Kong:

Location	Business purpose	Total gross floor area
		(sq.m.)
Tuen Mun	Manufacturing, warehouse, offices and parking	2,117
Kwai Chung	Warehouse and parking	511

All properties occupied by us are used for non-property activities. As of July 31, 2020, none of the properties held by us had a carrying amount of 15% or more of our consolidated total assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32 L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our interests in land or buildings.

Leased Properties

The table below sets forth the properties we lease in Hong Kong:

Location	Business purpose	Total gross floor area (sq.m.)	Range of expiry dates in relevant lease agreements
Kwun Tong	Headquarters	300	September 21, 2022
Kwun Tong	Offices and parking	962	July 31, 2021 to August 31, 2021
Tai Po(1)(2)	Manufacturing, warehouse, offices and parking	3,129	November 30, 2025
Tai Po(1)(3)	Manufacturing, offices and parking	2,338	November 30, 2025
Kwai Chung	Manufacturing, warehouse and offices	612	June 30, 2022
Tsuen Wan	Warehouse	323	June 30, 2021
Lai Chi Kok	Warehouse and workshop	1,703	September 5, 2020 to May 15, 2022
Shatin(1)(4)	Warehouse and logistics	858	November 30, 2025
Shatin(1)(5)	Warehouse and logistics	428	November 30, 2023

Notes:

(1) Other than these properties in Tai Po and Shatin which are leased or subleased from the Jacobson Connected Persons as owner or lessee, the remaining properties are leased from Independent Third Parties.

(2) We have entered into an agreement with a Jacobson Connected Person (which leased this property from an Independent Third Party) to extend the expiry date of our right to use this property from March 31, 2023 to November 30, 2025 for a rental payment of HK$2.6 million per year. The payments are recognized as lease liabilities and right-of-use assets in accordance with HKFRS 16.

(3) We have completed the renovation of one of our GMP-accredited manufacturing facilities in Tai Po, which was used principally for our production of Flying Eagle Woodlok Oil during the Track Record Period, and received the updated GMP certificate in September 2020. We have entered into a five-year agreement with a Jacobson Connected Person (which leased this property from an Independent Third Party) to lease this property for a rental payment of HK$3.0 million per year. The payments are recognized as lease liabilities and right-of-use assets in accordance with HKFRS 16.

(4) We have entered into a five-year agreement with a Jacobson Connected Person to lease this property for a total rental payment of HK$8.9 million. The lease payments are recognized as lease liabilities and right-of-use assets in accordance with HKFRS16.

(5) We have entered into a three-year agreement with a Jacobson Connected Person (which leased this property from an Independent Third Party) to lease this property for a total rental payment of HK$3.2 million. The lease payments are recognized as lease liabilities and right-of-use assets in accordance with HKFRS16.

LEGAL PROCEEDINGS AND COMPLIANCE

We may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of business, which primarily include business disputes brought by our suppliers, customers or other business partners. We have detailed compliance procedures to identify and control the legal risks in our operations. As of the Latest Practicable Date, there was no litigation, arbitration or administrative proceedings pending or threatened against us or any of our Directors which could have a material and adverse effect on our financial condition or results of operations.

We are also subject to a wide variety of laws, rules and regulations in the ordinary course of our business operations. For further details, see the section headed "Regulatory Overview." During the Track Record Period and up to the Latest Practicable Date, as confirmed by our Legal Counsel, there were no material breaches or violations of laws and regulations applicable to us which are expected to have a material adverse effect on our business, financial condition or results of operations.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Jacobson Pharma, through its wholly-owned subsidiary, JBM Group BVI, held an indirect interest of approximately 85.0% in our Company. Immediately following the Spin-off, (i) our Company will be owned as to approximately 53.7% by JBM Group BVI and (ii) JBM Group BVI will continue to be wholly-owned by Jacobson Pharma. Mr. Sum is one of the founders of the Jacobson Pharma Group and is interested in, through Kingshill and Queenshill, an aggregate of approximately 58.9% in the shares of Jacobson Pharma as of the Latest Practicable Date. Queenshill was wholly-owned by Mr. Sum, and each of Kingshill and Lincoln's Hill was wholly-owned by Trust Co under The Kingshill Trust, a discretionary trust established by Mr. Sum (as the settlor), as of the Latest Practicable Date. Upon the Listing, each of Mr. Sum, Jacobson Pharma, JBM Group BVI, Kingshill, Queenshill and Lincoln's Hill will be a Controlling Shareholder of our Company. Our Company will remain as a subsidiary of Jacobson Pharma and our Controlling Shareholders will collectively own approximately 69.7% of our Shares upon the Listing.

Jacobson Pharma is an exempted company with limited liability incorporated in the Cayman Islands and its shares have been listed on the Main Board of the Stock Exchange since September 21, 2016 (stock code: 2633). Established in the late 1990s, Jacobson Pharma began its business as a pharmaceutical company and has become one of the largest generic drugs company in Hong Kong by sales in 2019, according to the Frost & Sullivan Report. Its wholly-owned subsidiary, JBM Group BVI, is a company with limited liability incorporated in the British Virgin Islands and is an investment holding company.

The principal business of each of our Group and the Remaining Parent Group as of the Latest Practicable Date is set forth below:

	Principal Business
Our Group	production, sales and distribution of branded healthcare products, namely consumer healthcare products (being branded medicines and health and wellness products) and proprietary Chinese medicines
The Remaining Parent Group	manufacturing, marketing and sale of generic drugs ("**Generic Drugs segment**")

Our Directors believe that (i) based on the information set forth in the section headed "— Business Delineation Between Our Group and the Remaining Parent Group" below, our Group's business is adequately delineated from the business of the Remaining Parent Group; and (ii) based on the information set forth in the section headed "— Independence from the Remaining Parent Group" below, our Group is independent from the Remaining Parent Group in terms of our operations, finance and management.

BUSINESS DELINEATION BETWEEN OUR GROUP AND THE REMAINING PARENT GROUP

Our principal business and that of the Remaining Parent Group are sufficiently distinct from one another in terms of nature of products, sales channels and suppliers.

Our Directors are satisfied that our principal business is adequately delineated from that of the business of the Remaining Parent Group taking into account the factors set forth below and our Directors therefore consider there to be no material competition between our Group and the Remaining Parent Group.

Nature of Products

As stated in the section headed "— Our Controlling Shareholders" above, the respective principal businesses of our Group and the Remaining Parent Group focus primarily on products of distinct nature. We focus on branded healthcare products, namely consumer healthcare products (being branded medicines and health and wellness products) and proprietary Chinese medicines, whereas the Remaining Parent Group primarily focuses on generic drugs. This classification of products based on the distinct concepts of "proprietary" medicines and "generic" drugs is in line with the definitions used by WHO, the United States Food and Drug Administration and international pharmaceutical and medical professionals in general and such division of "proprietary" medicines and "generic" drugs as separate business segments is also evident in proposed spin-off activities of other multinational pharmaceutical companies, some of which are listed on the New York Stock Exchange and the London Stock Exchange.

Our branded healthcare products are principally "proprietary" and "branded" in nature as they possess characteristics such as unique composition of ingredients that are not found among other industry players, registered trade marks, trade names or logo devices which are widely recognizable by consumers, or protection from non-registrability by other products of same formulae under current regulatory requirements. We sell products under our own brands and also source and sell third-party brand products. Our own brand products accounted for 79.0%, 75.1%, 71.9% and 72.4% of our revenue for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively, while the rest of our products for sale were sourced from third-party brand owners generally under distributorship or in-licensing arrangements. For further details of our products, see the section headed "Business — Our Products."

On the other hand, the generic drugs of the Remaining Parent Group are primarily off-patent drugs that contain the same active medicinal ingredients as the originator brands and are intended to have the same therapeutic effect and efficacy as the originator brands. Save for a limited amount of selected generic drugs (being primarily non-branded and non-proprietary cough syrup and capsules for cough and nasal congestion (the "**Selected Generic Drugs**")) that were manufactured by our Group, which only accounted for approximately 0.8%, 0.6%, 0.8% and 0.5% of the sales of generic drugs of the Remaining Parent Group for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively, the vast majority of generic drugs of the Remaining Parent Group were self-manufactured by itself for sale. The Remaining Parent Group also manufactures some non-pharmaceutical products such as cream which are non-proprietary and non-branded in nature.

Based on the above, our Directors are of the view that the nature of the products of our Group is distinct from that of the Remaining Parent Group and therefore our Group's principal business is adequately delineated from the principal business of the Remaining Parent Group in this respect. During the Track Record Period, the Remaining Parent Group sourced certain branded healthcare products from our Group (the "**Overlapping Products**") (i) for the on-sale of such products in the two retail drug stores in Hong Kong (the "**Relevant Drug Stores**") under its then wholesale and retail segment which by nature is one of our downstream sales channels as retailers and (ii) to satisfy demand from local customers in Taiwan, the sales of which only took place for the year ended March 31, 2020. The Overlapping Products comprised predominantly Ho Chai Kung branded products, Contractubex products, Po Chai Pills and products under certain miscellaneous and less publicized proprietary Chinese medicine brands of our Group, the sales of which merely accounted for (i) 2.9%, 2.1%, 2.0% and 1.6% of our Group's revenue for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020 and (ii) 0.6%, 0.6%, 0.6% and 0.1% of the Remaining Group's revenue taking into account both its continuing and discontinued operations for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively, and thus was not material. The sales of the Overlapping Products to the Relevant Drug Stores are expected to continue upon the Listing but such sales will not constitute continuing connected transactions of our Group as the Remaining Parent Group no longer holds the controlling stake of the company holding the Relevant Drug Stores (such controlling stake was disposed of by the Remaining Parent Group in July 2020) upon which the aforementioned company ceased to be a subsidiary and became an associated company of the Remaining Parent Group of less than 30% in shareholding and as such will not be our connected person upon the Listing. The sales of the Overlapping Products to the Remaining Parent Group to satisfy demand from customers in Taiwan are not expected to continue upon the Listing as our Group will instead commence direct sales to customers in Taiwan following the Listing. Therefore, there was no material overlap in products between the Remaining Parent Group and our Group over the Track Record Period and our Directors believe that there will not be any material overlap in the products of the Generic Drugs segment of the Remaining Parent Group and the branded healthcare business of our Group as a whole upon the Listing.

Sales Channels

The branded healthcare products of our Group are primarily sold and distributed to the over-the-counter channels ("**OTC Channels**"), being primarily chain stores, supermarkets, convenience stores, drug stores, non-prescription counters of registered pharmacies, trading companies and selected corporate clients (such as airlines, amusement parks and public transport companies). For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, revenue generated from our products sold to the OTC Channels accounted for 92.2%, 88.9%, 87.7% and 85.4% of the revenue of our Group as a whole, respectively. For further details of the sales channels of our Group, see the section headed "Business — Sales and Distribution."

In contrast, the Remaining Parent Group conducts its business through its Generic Drugs segment, of which approximately 91.2%, 92.3%, 93.7% and 93.8%, respectively, of the revenue of this segment was generated from products sold to the medical sector ("**Medical Sector**") which comprises hospitals, clinics, physicians and prescription counters of registered pharmacies (excluding Chinese medicine practitioners) for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020.

While the primary sales channel of our Group is the OTC Channels, the amount of sales of our products made to the Medical Sector during the Track Record Period was not significant, contributing to 4.9%, 9.0%, 10.3% and 12.5% of our revenue for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively. Such sales for the years ended March 31, 2018 and 2019 were mostly demand-driven as relevant products were dispensed or recommended by physicians, pharmacists and other medical practitioners in the Medical Sector, whereas such sales for the year ended March 31, 2020 and the four months ended July 31, 2020 were driven more by demand from public hospitals in the Medical Sector for personal hygiene products in light of the outbreak of COVID-19. More particularly, the increase in revenue contribution from overlapping sales to the Medical Sector for the year ended March 31, 2019 was mainly due to the introduction and growth in sales of certain third-party brand products, including AIM Atropine Eye Drops and Oncotype DX Breast Recurrence Score® assay (the sales of which were driven by the demand from prescriptions of medical practitioners). On the other hand, the increase in revenue generated by the overlapping sales to the Medical Sector for the year ended March 31, 2020 and the four months ended July 31, 2020 was mainly due to the expansion of our product portfolio to include personal hygiene products such as antiseptic hand rubs under our Dr. Freeman (醫臣) brand, which were in high demand especially from February to May 2020 amid the outbreak of COVID-19. Going forward, however, in anticipation of the growth in our health and wellness product portfolio, the additional revenue contribution from the sales of CCMG products following our acquisition of a controlling stake in the Orizen Group in August 2019 and the decreasing trend of the revenue contributed by the sales of antiseptic hand rubs under our Dr. Freeman (醫臣) brand to public hospitals in the Medical Sector in the second quarter of 2020, the percentage contribution to sales by overlapping sales to the Medical Sector is expected to decrease. Further, although the sales channel (to the Medical Sector) has overlapped, the sales and marketing activities have been and will continue to be conducted by separate sales and marketing teams of our Group and the Remaining Parent Group.

As for the Remaining Parent Group, with the Medical Sector as their predominant sales channel, there were also limited and insignificant sales of their products to the OTC Channels during the Track Record Period, which accounted for 7.7%, 6.5%, 6.9% and 6.2% of the Remaining Parent Group's revenue for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively, and were limited "spill-over demand" from end-users (including those who had been dispensed with these products in previous consultations at hospitals and clinics and subsequently look for refill through the OTC Channels) who make purchases for such over-the-counter remedies at retail level.

Our Directors are of the view that the overlapping sales channels described above will not affect the business delineation between our Group and the Remaining Parent Group in a material manner for the following reasons:

- the products of our Group which are sold to the Medical Sector and the products of the Remaining Parent Group which are sold to the OTC Channels can still be distinguished by the nature of products and as such will not constitute competition, with the relevant products of our Group being "proprietary" and "branded" in nature, as such products are primarily third-party brand products sourced from third-party brand owners, with unique composition and being protected by registered trade marks, while the products of the Remaining Parent Group sold to the OTC Channels are typically manufactured by the Remaining Parent Group, are non-proprietary in nature and do not carry recognizable consumer brands;

- the contribution of such overlapping sales was limited and relatively insignificant to our Group and to the Remaining Parent Group during the Track Record Period and the percentage contribution of overlapping sales to the medical sector to our Group is expected to decrease in view of expected growth in our health and wellness product portfolio, the additional revenue contribution from the sales of CCMG products of Orizen and the decreasing trend of the revenue contribution by sales of antiseptic hand rubs under our Dr. Freeman (醫臣) brand to public hospitals in the medical sector in the second quarter of 2020;

- sales were and will continue to be made going forward by separate sales and marketing teams of our Group and the Remaining Parent Group; and

- the following corporate governance measures will be in place to safeguard interests of both our Group and the Remaining Parent Group despite the limited extent of such overlap in sales channel and the contribution of sales being not significant;

  – the extent of overlapping sales channels will be monitored by the sales and marketing teams of both our Group and the Remaining Parent Group;

  – the business of our Group and that of the Remaining Parent Group will be managed by separate management teams with no overlapping executive directors or senior management personnel. For further details regarding our management independence, see the section headed "— Independence from the Remaining Parent Group — Management Independence" below; and

  – for further details regarding our corporate governance measures in the event any potential conflict of interest arises, see the section headed "— Corporate Governance Measures" below.

Suppliers

We have independent access to suppliers for our own brand products and we also source third-party brand products from third-party brand owners. There is however, some degree of overlap in suppliers between our Group and the Remaining Parent Group as to purchases of packaging materials and raw materials mainly. The percentage of cost of sales attributable to the overlapping suppliers to our Group and the Remaining Parent Group during the Track Record Period was not particularly significant, attributing to 8.0%, 9.3%, 8.0% and 4.8% of the cost of sales of our Group, and 14.0%, 10.4%, 14.7% and

17.2% of the cost of sales of the Remaining Parent Group, for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively. Further, we believe the supplies we procure from overlapping suppliers, being primarily supplies of packaging materials (such as boxes, bottles, printings and foils) and certain pharmaceutical ingredients and excipients, could be readily sourced from alternative comparable suppliers and hence, such overlapping suppliers are not indispensable. Besides, the Remaining Parent Group and our Group have separate procurement teams, each of which is staffed with employees who have access to third-party suppliers and conduct respective procurement process, including negotiations of terms such as pricing and volume, independently.

Based on the foregoing, our Directors are of the view that such overlap in suppliers will not affect the business delineation between our Group and the Remaining Parent Group in a material manner.

INDEPENDENCE FROM THE REMAINING PARENT GROUP

Our Directors consider that our Group is capable of operating its business independently of the Remaining Parent Group following the Listing based on the following grounds.

Operational Independence

Manufacturing facilities

We have entered into agreements with a subsidiary of Jacobson Pharma on December 1, 2020 and March 1, 2018 (and extended on January 15, 2021), respectively, for the use of two manufacturing facilities for the production of primarily Po Chai Pills and Flying Eagle Woodlok Oil. These agreements are recognized as right-of-use assets in accordance with HKFRS 16 and if entered into after the Listing, would constitute connected transactions of our Group and classified as one-off acquisitions of capital assets under the Listing Rules.

Save for the manufacturing facilities under the aforementioned agreements which are situated at a separate location from that of the Remaining Parent Group, we also have our own manufacturing facilities for the manufacturing of other proprietary Chinese medicines and our Ho Chai Kung branded products during the Track Record Period. Further, we own all of the production machineries, equipment and fixtures housed in the manufacturing facilities used for the production of our products (including those housed in the manufacturing facilities under the aforementioned agreements) and the production lines of our Group and the Remaining Parent Group are independent. As such, our Directors are of the view that the aforementioned agreements will not affect our operational independence in a material manner.

Operational licenses, product registrations and distribution rights

Upon the Listing, our Group and the Remaining Parent Group will possess separate licenses necessary for our respective manufacturing process, use of raw materials and sales activities. For details of the licenses and permits for our Group's business operations in Hong Kong, China and other relevant jurisdictions, see the section headed "Business — Licenses, Permits and Approvals."

Compliance with licensing requirements will be handled by our own regulatory team, which is independent from the Remaining Parent Group. Our regulatory team will also handle product registrations with the relevant authorities to ensure that our health food products comply with the applicable food labeling requirements. All registration certificates will also be held in the name of our Group. In addition, we will hold all relevant rights for the sales of third-party brand products from third-party brand owners. Therefore, our Directors are of the view that upon the Listing, we can independently satisfy the licensing requirements for our own operations without reliance on the Remaining Parent Group and as such achieve operational independence in this respect.

Production process, warehousing and logistics

Save and except for (i) the limited manufacturing services of the Selected Generic Drugs provided by us to the Remaining Parent Group, (ii) the Remaining Parent Group's provision of manufacturing services of antiseptic hand rubs under our Dr. Freeman (醫臣) brand to us, (iii) the provision of certain logistics services by the Remaining Parent Group to us during the Track Record Period, the continuation of which and any provision of manufacturing services by the Remaining Parent Group of other products under the Dr. Freeman (醫臣) brand (together with the antiseptic hand rubs and other selected branded healthcare products (such as antiseptic alcohol, lotion and mouthwash) under our Dr. Freeman (醫臣) brand, "**Dr. Freeman Products**") will constitute continuing connected transactions upon the Listing, (iv) the provision of certain warehousing services by the Remaining Parent Group to our Group over the Track Record Period and (v) the entering into of agreements on November 26, 2020 with two subsidiaries of Jacobson Pharma for the use of two warehousing facilities commencing December 1, 2020 (which are recognized as right-of-use assets in accordance with HKFRS 16 and if entered into after the Listing, would constitute connected transactions of our Group and classified as one-off acquisitions of capital assets under the Listing Rules), the production processes of our Group and the Remaining Parent Group are independent from each other. For details of these connected transactions, see the sections headed "Connected Transactions — Partially Exempt Continuing Connected Transactions — 1. Logistics Services Agreement" and "Connected Transactions — Partially Exempt Continuing Connected Transactions — 2. Manufacturing Services Agreement."

Our Directors are of the view that the provision of manufacturing services of the Selected Generic Drugs by our Group to the Remaining Parent Group and the provision of manufacturing services of selected Dr. Freeman Products by the Remaining Parent Group to our Group and the provision of logistics services and warehousing facilities by the Remaining Parent Group to our Group do not affect our operational independence for the following reasons:

- the manufacturing services fees chargeable by the Remaining Parent Group to us for the manufacturing services in respect of the production of our Dr. Freeman antiseptic hand rubs, the arrangement of which only commenced in February 2020 in response to the retail demand for such products in Hong Kong amid the COVID-19 outbreak, and any commencement of provision of such services by the Remaining Parent Group in respect of other selected Dr. Freeman Products will be subject to the relevant annual caps going forward, are not considered material;

- the sales of Dr. Freeman antiseptic hand rubs (which commenced in February 2020) only accounted for 1.3% of our total revenue for the year ended March 31, 2020 and the sales of other Dr. Freeman Products under manufacturing arrangements with the Remaining Parent Group are only expected to constitute an insignificant portion of our sales of branded healthcare products going forward;

- in circumstances where we or the Remaining Parent Group decides to terminate the manufacturing arrangement in respect of relevant Dr. Freeman Products, we believe that there are alternative contract manufacturers in the market at comparable rates which are readily available;

- the annual caps for the manufacturing services fees chargeable by us for our provision of manufacturing services of the Selected Generic Drugs to the Remaining Parent Group are not considered material and are currently not expected to be a main source of revenue of our Group;

- the manufacture and sale of the Selected Generic Drugs and the relevant production facilities had been part of the Ho Chai Kung business prior to its acquisition by our Group (the "**HCK Acquisition**"). Given the nature of the products, the marketing and sales of the Selected Generic Drugs were restructured and accordingly conducted under the Generic Drugs segment of the Remaining Parent Group following the HCK Acquisition. Nevertheless, due to the pre-existing product registration and manufacturing license arrangements and to make use of the spare production capacity of the relevant production facilities, the production of the Selected Generic Drugs has remained under the Ho Chai Kung business (which formed part of our Group pursuant to the Reorganization) and this arrangement is accordingly being formalized as a continuing connected transaction arrangement for the purpose of the Spin-off;

- the sales of the Selected Generic Drugs by the Remaining Parent Group only accounted for 0.8%, 0.6%, 0.8% and 0.5% of their sales of generic drugs for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively;
- in terms of logistics-related arrangements, we adopt a hybrid logistics system of combining logistics service subscription (from the Remaining Parent Group (accounting for 87.4%, 80.4%, 75.8% and 54.5% of our total distribution costs incurred for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively) and our own in-house logistics support (accounting for 12.6%, 19.6%, 7.7% and 21.9% of our total distribution costs incurred for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively)) and other Independent Third Party logistics services suppliers (accounting for nil, nil, 16.5% and 23.6% of our total distribution costs incurred for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively), to facilitate deliveries of our finished products; and
- the logistics services and warehousing facilities provided by the Remaining Parent Group are not irreplaceable and we do not intend to enter into any exclusive agreement with the Remaining Parent Group for the use of their logistics services and warehousing facilities and there are other third-party providers available which we may engage should the circumstances warrant.

Intellectual property rights

Following the completion of the Reorganization, our Group and the Remaining Parent Group each have subsidiaries holding respective intellectual property rights independently from each other for their respective operations. Our Group will maintain our own portfolio of registered trade marks, domain names and other intellectual property rights necessary for our operational activities and will not require intellectual property rights to be assigned or licensed by the Remaining Parent Group. For details of the material trade marks and domain names registered by our Group, see "B. Further Information About Our Business — 2. Intellectual Property Rights of our Group" in Appendix IV to this prospectus.

For third-party brand products, our Group will use the intellectual property rights granted or licensed by the third-party brand owners in accordance with the terms of the relevant agreements.

Based on the above, our Directors are of the view that upon the Listing, our Group will be clearly independent from the Remaining Parent Group in possessing intellectual property rights necessary for our operations.

Sales and marketing

Given the differences in product nature and target customers between our Group and the Remaining Parent Group, the sales and marketing function of our Group is independent from that of the Remaining Parent Group. We have designated teams with our personnel skilled and experienced in sales, merchandising, marketing and brand promotion and we do not rely on the Remaining Parent Group for their sales and marketing activities. In respect of the overlapping sales of our products in the Medical Sector (as described in the section headed "— Business Delineation Between Our Group and the Remaining Parent Group — Sales Channels" above), such sales have been conducted by our Group's own sales team and will continue to be so going forward without reliance on the Remaining Parent Group and therefore our Directors believe that such overlap in sales channel does not affect the operational independence of our Group.

Supply and procurement

Our Group has access to independent suppliers for the supply of pharmaceutical ingredients, packaging materials and equipment necessary for our own production process and does not rely on the Remaining Parent Group for procurement of the same. Although there are overlapping suppliers (as discussed in the section headed "— Business Delineation Between Our Group and the Remaining Parent Group — Suppliers" above) with the Remaining Parent Group, our Group has its own procurement team which has direct access to these suppliers and does not rely on the Remaining Parent Group to secure the supplies and negotiate the prices and terms of the supply contracts and as such our Directors do not consider such overlap in suppliers will affect our operational independence.

Administrative capacity

We have our own administrative teams including accounting and finance, company secretarial, regulatory compliance, human resources, management of intellectual properties, information technology and administration. Save for the subscription of limited sales administration function from the Remaining Parent Group (such as customer services support and logistics arrangements which are merely supportive in nature) with respect to the overseas sales of our products to Singapore, Macau and Taiwan, all of our essential administrative functions will be carried out independently and without support from the Remaining Parent Group and all personnel in these essential administrative functions of our Group will not have overlapping roles or duties in the Remaining Parent Group upon the Listing. Furthermore, sales to these overseas markets (where sales administration services of the Remaining Parent Group are utilized) only represented nil, 1.1%, 1.9% and 0.1% of the revenue of our Group for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively. Besides, the historical service fees paid by our Group to the Remaining Parent Group was nil, HK$450,000, HK$921,000 and HK$1,117,000 for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively, and will be subject to the respective annual caps going forward, which are not considered to be material. For details of the sharing of sales administration function, see the section headed "Connected Transactions — Partially Exempt Continuing Connected Transactions — 3. Overseas Sales Administrative Services Agreement."

We have also leased our own office premises in Hong Kong from a third-party landlord and will not share the office premises with the Remaining Parent Group.

On the basis of the above, our Directors believe that we operate our administrative functions independently from the Remaining Parent Group.

Continuing connected transactions

We conducted certain transactions with the Remaining Parent Group on a recurring basis during and subsequent to the Track Record Period which will continue after the Listing and constitute continuing connected transactions of our Company under the Listing Rules. Such transactions are entered into in the ordinary and usual course of business of our Group and the terms including the pricing of such transactions are determined through arm's length negotiations which are no less favorable or better to our Group than terms offered by Independent Third Parties. Given that the continuing connected transactions with the Remaining Parent Group are of supporting nature and do not involve the production process of our top revenue-generating products, our Directors believe that such continuing connected transactions will not cause any undue reliance by us on the Remaining Parent Group. For details of such continuing connected transactions, see the section headed "Connected Transactions."

Financial Independence

We believe that our Group will be financially independent from the Remaining Parent Group after the Listing for the following reasons:

- we have established our own finance and accounting department with independent teams of staff separate from the Remaining Parent Group, and are responsible for our own financial management, accounting, reporting, treasury and internal control functions;
- we make financial decisions independently according to our own funding needs;
- we have established our own independent audit system, accounting system and financial management system;
- we are capable of obtaining financing from independent financial institutions on a standalone basis without guarantee or other financial assistance from the Remaining Parent Group, if necessary or desirable;
- upon the Listing, there will be no outstanding inter-company loans or guarantees or other forms of financial assistance which were provided by the Remaining Parent Group to or for the benefit of our Group; and
- in November 2020, we were granted a secured banking facility of HK$250.0 million which is currently guaranteed by our Company and Jacobson Pharma, and such guarantee from Jacobson Pharma shall be released upon the Listing.

Management Independence

Our Board is comprised of two executive Directors, three non-executive Directors and three independent non-executive Directors. Our Board will also be supported by six members of senior management. For further details, see the section headed "Directors and Senior Management." Save for Mr. Sum and Yim Chun Leung, our non-executive Directors (and as such will not have any executive role or function in our Group after the Listing), who will remain as executive directors of Jacobson Pharma (also as chairman of the board of directors in the case of Mr. Sum and as company secretary in the case of Yim Chun Leung), and Wong Yat Wai, Patrick, our executive Director, who is a director of one of the Remaining Parent Group's overseas subsidiary (in respect of which his resignation has been duly passed by the board of the relevant subsidiary and is pending confirmation from local authority), none of our Directors or senior management will hold any position in any member of the Remaining Parent Group after the Listing.

We are of the view that our management is capable of operating and functioning independently from the Remaining Parent Group on the basis that six out of eight members of our Board and all of our senior management team will be entirely independent from and not having any role in the Remaining Parent Group. Our management team has extensive expertise in the pharmaceutical industry and proprietary Chinese medicines, and possesses in-depth experience in sales and marketing in branded healthcare industry and accounting and finance. They make management decisions independent from the Remaining Parent Group.

Each of our Directors is aware of his fiduciary duties which require, among other things, that he must act for the benefit and in the best interest of our Company and avoid conflict to exist between his duties as our Director and his personal interest.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflict of interest. In order to further avoid potential conflict of interest, we have implemented the following measures:

- as part of our preparation for the Listing, we have adopted our Articles to comply with the Listing Rules. In particular, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his close associates has a material interest nor shall such Director be counted in the quorum present at the meeting;
- a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself from the Board meetings on matters in which such Director or his associates has a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- we will engage a third-party professional advisor to advise our Board when necessary in order to allow non-conflicting members of the Board to function properly with necessary professional advice;
- we are committed that our Board should include a balanced composition of executive Directors and independent non-executive Directors. Our independent non-executive Directors represent more than one third of the composition of our Board which is in compliance with the Corporate Governance Code of the Listing Rules and they are professionals with requisite knowledge and experience in different industries. We believe that our independent non-executive Directors will provide a balance of view and independent judgment in the decision-making process of our Board and they will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. For further details of our independent non-executive Directors, see the section headed "Directors and Senior Management — Board of Directors — Independent non-executive Directors";
- we have appointed TUS Corporate Finance Limited as our compliance advisor subject to the Listing, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance; and
- we will disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance with and the enforcement of the continuing connected transactions. For further details of corporate governance measures in relation to the continuing connected transactions, see the section headed "Connected Transactions — Corporate Governance Measures."

CONFIRMATION

Save as disclosed in this prospectus, our Controlling Shareholders and Directors confirm that they do not have any interest in a business which competes with or is likely to compete with our business, whether directly or indirectly, or will otherwise require disclosure under Rule 8.10 of the Listing Rules.

OVERVIEW

Upon the Listing, transactions between us and the following connected persons in our ordinary and usual course of business disclosed in this section will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

As of the Latest Practicable Date, Jacobson Pharma, through its wholly-owned subsidiary, JBM Group BVI, held an indirect interest of approximately 85.0% in our Company. Immediately following the completion of the Spin-off, (i) our Company will be owned as to approximately 53.7% by JBM Group BVI and (ii) JBM Group BVI will continue to be wholly-owned by Jacobson Pharma. Jacobson Pharma and JBM Group BVI are two of our Controlling Shareholders. For further details of our relationship with Jacobson Pharma and JBM Group BVI, see the section headed "Relationship with Jacobson Pharma."

Accordingly, Jacobson Pharma, JBM Group BVI and their respective associates other than our Group (the "**Jacobson Connected Persons**") are our connected persons by virtue of Rule 14A.07 of the Listing Rules and for the purposes of connected transactions under Chapter 14A of the Listing Rules.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

	Nature of transaction	Relevant Listing Rules	Waiver sought	Historical amounts	Proposed annual cap for the year ending March 31,
				(HK$'000)	**(HK$'000)**
Partially exempt continuing connected transactions					
Exempt from the circular and independent shareholders' approval requirements but subject to the reporting, annual review and announcement requirements					
1.	Logistics Services Agreement	14A.34, 14A.35, 14A.49, 14A.51 to 14A.53, 14A.55, 14A.76(2), 14A.105	Waiver from strict compliance with announcement requirement	For the year ended March 31, 2018: approximately 2,394 For the year ended March 31, 2019: approximately 3,688 For the year ended March 31, 2020: approximately 7,936 For the four months ended July 31, 2020: approximately 2,186	2021: 2,200 (from the date of Listing) 2022: 5,500 2023: 6,500
2.	Manufacturing Services Agreement	14A.34, 14A.35, 14A.49, 14A.51 to 14A.53, 14A.55, 14A.76(2), 14A.105	Waiver from strict compliance with announcement requirement	*Manufacturing of generic drugs:* For the year ended March 31, 2018: Nil For the year ended March 31, 2019: Nil For the year ended March 31, 2020: Nil For the four months ended July 31, 2020: approximately 993 *Manufacturing of branded healthcare products:* For the year ended March 31, 2018: Nil For the year ended March 31, 2019: Nil For the year ended March 31, 2020: approximately 6,075 For the four months ended July 31, 2020: approximately 3,513	*Manufacturing of generic drugs:* 2021: 1,500 (from the date of Listing) 2022: 3,500 2023: 3,500 *Manufacturing of branded healthcare products:* 2021: 2,500 (from the date of Listing) 2022: 6,500 2023: 6,500

	Nature of transaction	Relevant Listing Rules	Waiver sought	Historical amounts	Proposed annual cap for the year ending March 31,
				(HK$'000)	(HK$'000)
3.	Overseas Sales Administrative Services Agreement	14A.34, 14A.35, 14A.49, 14A.51 to 14A.53, 14A.55, 14A.76(2), 14A.105	Waiver from strict compliance with announcement requirement	For the year ended March 31, 2018: Nil For the year ended March 31, 2019: approximately 450 For the year ended March 31, 2020: approximately 921 For the four months ended July 31, 2020: approximately 1,117	2021: 1,500 (from the date of Listing) 2022: 4,200 2023: 4,500

PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

As one or more of the applicable percentage ratios is more than 0.1% but less than 5%, pursuant to Rule 14A.76(2)(a) of the Listing Rules, each of the following transactions (together, the "**Partially Exempt Continuing Connected Transactions**") will be exempt from the circular and independent shareholders' approval requirements but subject to the announcement, reporting, and annual review requirements under Chapter 14A of the Listing Rules.

1. Logistics Services Agreement

Description of and reasons for the transaction

During the Track Record Period, we utilized certain logistics services of the Jacobson Connected Persons for the distribution of some of our products, which included loading and unloading, trucking, as well as invoicing and payment settlement services for certain of our products. With the view of expanding our overall logistics capacities and streamlining our logistics services arrangements with the Jacobson Connected Persons, we no longer require invoicing and payment settlement services and would only require loading and unloading, trucking services for our consumer healthcare products and certain proprietary Chinese medicines primarily subsequent to the Track Record Period. For further details, see the section headed "Business — Sales and Distribution — Distribution and Logistics — Hong Kong."

On January 19, 2021, our Company (on behalf of our subsidiaries) entered into an agreement (the "**Logistics Services Agreement**") with Jacobson Pharma (on behalf of its subsidiaries excluding our Group) which is conditional upon the Listing, to govern the provision of logistics services by the Jacobson Connected Persons to us.

The reasons for using such logistics services to be provided by the Jacobson Connected Persons upon the Listing are, among others, (i) the Jacobson Connected Persons and we have established a long-term business relationship and they are familiar with our operation flow, product delivery and specific logistics requirements and are therefore a reliable supplier of such services; (ii) the logistics aspects of our on-going operations can continue undisrupted; and (iii) the charges and terms of the utilization of such logistics services are no less favorable than those provided by Independent Third Parties for similar services.

The initial term of the Logistics Services Agreement shall commence on the Listing Date and expire on March 31, 2023, and is renewable upon expiry at the discretion of our Group on terms to be agreed by the parties. The Logistics Services Agreement may be terminated during its term by us by giving Jacobson Pharma not less than three-month's prior written notice.

Pricing

The charges payable by us for the utilization of logistics services will be determined with reference to the costs of the Jacobson Connected Persons providing relevant services (taking into account, among others, labor costs, trucking operations and maintenance costs and other related costs) plus a profit margin of 10.0%. Our finance department will also make reference to quotations of other logistics services provided by Independent Third Parties from time to time to ensure that the terms offered to us under the Logistics Services Agreement will be comparable to or better than that offered by Independent Third Parties.

Historical transaction amounts

The following table sets forth the total service fees paid by us for the utilization of logistics services for the periods indicated:

	Historical transaction amount (HK$'000)			
	Year ended March 31,			Four months ended July 31,
	2018	2019	2020	2020
Total amount (approximately)	2,394	3,688	7,936	2,186

Annual caps and basis of caps

Annual Caps: The maximum charges and service fees payable by us under the Logistics Services Agreement for each of the three years ending March 31, 2023 shall not exceed the caps set forth below:

	Proposed annual cap for the year ending March 31, (HK$'000)		
	2021 (from the date of Listing)	2022	2023
Total amount	2,200	5,500	6,500

Basis of Caps: In determining the above caps, our Directors have considered the historical transaction amounts, the reduced scope of logistics services pursuant to the streamlining of our logistics services arrangement with the Jacobson Connected Persons subsequent to the Track Record Period and the expected demand for logistics services taking into account the projected sales of relevant products.

2. Manufacturing Services Agreement

Description of and reasons for the transaction

During the Track Record Period, we (i) provided manufacturing services of selected generic drugs (being primarily non-branded and non-proprietary cough syrup and capsules for cough and nasal congestion (the "**Selected Generic Drugs**")) to the Jacobson Connected Persons and (ii) utilized manufacturing services of the Jacobson Connected Persons for our antiseptic hand rubs under our Dr. Freeman (醫臣) brand. On January 19, 2021, our Company (on behalf of our subsidiaries) entered into an agreement with Jacobson Pharma (on behalf of its subsidiaries excluding our Group) (the "**Manufacturing Services Agreement**") which is conditional upon the Listing, to govern (i) the provision of manufacturing services of the Selected Generic Drugs by us to the Jacobson Connected Persons and (ii) the provision of manufacturing services of antiseptic hand rubs and other selected branded healthcare products (such as antiseptic alcohol, lotion and mouthwash) under our Dr. Freeman (醫臣) brand (together, "**Dr. Freeman Products**") by the Jacobson Connected Persons to us.

The manufacture and sale of the Selected Generic Drugs and the relevant production facilities had been part of the Ho Chai Kung business prior to its acquisition by our Group (the "**HCK Acquisition**"). Given the nature of the products, the marketing and sales of the Selected Generic Drugs were restructured and accordingly conducted under the Generic Drugs Segment of the Remaining Parent Group following the HCK Acquisition. Nevertheless, due to the pre-existing product registration and manufacturing license arrangements and to make use of the spare production capacity of the relevant production facilities, the production of the Selected Generic Drugs has remained under the Ho Chai Kung business (which forms part of our Group pursuant to the Reorganization) and is accordingly being formalized under the Manufacturing Services Agreement as continuing connected transactions.

On the other hand, we have begun utilizing manufacturing services of the Jacobson Connected Persons for the Dr. Freeman Products because (i) demand for infection control products have surged as a result of the outbreak of COVID-19; (ii) we can timely capture the surge in demand for disinfectant products by utilizing existing production facilities of the Jacobson Connected Persons; (iii) we can expand our product offerings and launch our personal hygiene and infection control product series under our Dr. Freeman (醫臣) brand without having to deploy substantial capital and time to set up our own production lines or facilities for the production of such products before consumer demand or popularity has reached a reasonable critical mass and (iv) we have established a long-term business relationship with the Jacobson Connected Persons and they are familiar with our business needs, requisite quality standard and are a reliable business partner to us.

The initial term of the Manufacturing Services Agreement shall commence on the Listing Date and expire on March 31, 2023, and is renewable upon expiry at the discretion of our Group on terms to be agreed by the parties. The Manufacturing Services Agreement may be terminated during its term by us (in respect of the manufacturing services of Dr. Freeman products) by giving Jacobson Pharma not less than three-month's prior written notice or by agreement of both parties.

Pricing

The manufacturing services fees payable by the Jacobson Connected Persons to us and the manufacturing fees payable by us to the Jacobson Connected Persons under the Manufacturing Services Agreement will be determined with reference to the costs of manufacturing, including all fixed and variable costs of labor, raw materials, electricity and utility charges and other production overheads, plus a profit margin of 15.0%, which will be no less favorable than (i) the prices chargeable by us to Independent Third Parties or (ii) the prices chargeable by Independent Third Parties to us.

Historical transaction amounts

The following table sets forth the manufacturing services fees paid by the Jacobson Connected Persons for the manufacturing of the Selected Generic Drugs for the periods indicated:

	Historical transaction amount (HK$'000)			
	Year ended March 31,			Four months ended July 31,
	2018	2019	2020	2020
Total amount (approximately)	nil	nil	nil	993

The following table sets forth the manufacturing services fees paid by us for the manufacturing of our antiseptic hand rub for the periods indicated:

	Historical transaction amount (HK$'000)			
	Year ended March 31,			Four months ended July 31,
	2018	2019	2020	2020
Total amount (approximately)	nil	nil	6,075	3,513

Annual caps and basis of caps

Annual Caps: The maximum annual manufacturing services fees payable by the Jacobson Connected Persons and by us under the Manufacturing Services Agreement for each of the three years ending March 31, 2023 shall not exceed the caps set forth below:

Manufacturing services fees of the Selected Generic Drugs payable by the Jacobson Connected Persons:

	Proposed annual cap for the year ending March 31, (HK$'000)		
	2021 (from the date of Listing)	2022	2023
Total amount	1,500	3,500	3,500

Manufacturing services fees of the Dr. Freeman Products payable by us:

	Proposed annual cap for the year ending March 31, (HK$'000)		
	2021 (from the date of Listing)	2022	2023
Total amount	2,500	6,500	6,500

Basis of Caps: In determining the above caps for manufacturing services fees payable by the Jacobson Connected Persons, our Directors have considered the expected demand from the Jacobson Connected Persons for manufacturing services of generic drugs based on the historical sales of such products and the production orders projected by the Jacobson Connected Persons.

In determining the above caps for the manufacturing services fees payable by us, our Directors have considered the projected sales for the existing Dr. Freeman Products and our business plan for other Dr. Freeman Products.

3. Overseas Sales Administrative Services Agreement

Description of and reasons for the transaction

During the Track Record Period, the Jacobson Connected Persons provided us with overseas sales administrative services, which included but were not limited to orders management as well as sales and customer support services. On January 19, 2021, our Company (on behalf of our subsidiaries) entered into an agreement with Jacobson Pharma (on behalf of its subsidiaries excluding our Group) (the "**Overseas Sales Administrative Services Agreement**") which is conditional upon the Listing, in order to govern the provision of the Remaining Parent Group's overseas sales administrative services in Macau, Singapore and Taiwan to us.

We would be utilizing overseas sales administrative services provided by the Jacobson Connected Persons after the Listing because (i) we would not be establishing local offices or hiring local employees in these jurisdictions in the near future, given the relatively small sales contribution by customers in these markets to us at present; (ii) the Jacobson Connected Persons have local offices and employees who are familiar with our business needs, the requirements of our customers and their local practices and (iii) the overseas sales aspects of our on-going operations can continue undisrupted.

The Overseas Sales Administrative Services Agreement shall commence on the Listing Date and expire on March 31, 2023, and is renewable upon expiry at the discretion of our Group on terms to be agreed by the parties. The Overseas Sales Administrative Services Agreement may be terminated during its term by us by giving Jacobson Pharma not less than three-month's prior written notice or by agreement of both parties.

Pricing

The services fee under the Overseas Sales Administrative Services Agreement payable by us will be determined with reference to the costs and expenses of providing relevant services (such as salaries of staff employed and related expenses, and general office and administrative expenses).

Historical transaction amounts

The following table sets forth the total service fees paid by us for the provision of overseas sales administrative services for the periods indicated:

	Historical transaction amount (HK$'000)			
	Year ended March 31,			Four months ended July 31,
	2018	2019	2020	2020
Total amount (approximately)	nil	450	921	1,117

Annual caps and basis of caps

Annual Caps: The maximum service fees payable by us under the Overseas Sales Administrative Services Agreement for the three years ending March 31, 2023 shall not exceed the caps set forth below:

	Proposed annual cap for the year ending March 31, (HK$'000)		
	2021 (from the date of Listing)	2022	2023
Total amount	1,500	4,200	4,500

Basis of Caps: In determining the above caps, our Directors have considered the historical transaction amounts, the expected service fees payable for sales administrative services in these overseas markets after the Listing, the projected sales for our products overseas and sales and marketing plans of our overseas businesses.

CORPORATE GOVERNANCE MEASURES

We have adopted the following internal control and corporate governance measures to ensure that our transactions with Jacobson Connected Persons will be conducted on normal commercial terms and in accordance with the relevant agreements:

(a) the Audit Committee of our Board will be reviewing and evaluating the terms of the agreements for the continuing connected transactions, in particular the pricing principles and annual caps, to ensure that such terms are fair and reasonable to our Group and compliant with the Listing Rules;

(b) our Directors, including the independent non-executive Directors, will be able to seek independent professional advice in respect of the continuing connected transactions from external professional parties in appropriate circumstances;

(c) our various internal departments (including but not limited to our finance and accounting department, sales department and production department) will regularly monitor the implementation of the continuing connected transactions and keep track of the aggregate transaction amounts under the relevant agreements to ensure that the pricing principles and annual caps contained therein are complied with;

(d) we have adopted relevant reporting and record-keeping procedures to allow our independent non-executive Directors and our auditors to perform annual review of the continuing connected transactions under the agreements and provide annual confirmations in accordance with the Listing Rules; and

(e) we will duly disclose in our annual report the continuing connected transactions to be conducted during each financial year, together with the conclusions drawn by our independent non-executive Directors on whether the transactions are conducted in our ordinary and usual course of business, on normal commercial terms or better, and according to the relevant agreements on terms that are fair and reasonable and in the interests of our Shareholders as a whole.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

As stated above, the Partially Exempt Continuing Connected Transactions will be exempt from the circular and independent shareholders' approval requirements but subject to the announcement, reporting and annual review requirements under Chapter 14A of the Listing Rules.

After the Listing, we expect to continue to carry out the transactions contemplated under the Partially Exempt Continuing Connected Transactions on a recurring and continuing basis. As the material terms of each of the Partially Exempt Continuing Connected Transactions are disclosed in this prospectus and potential investors will participate in the Public Offer on the basis of such relevant disclosures, our Directors consider that strict compliance with the announcement requirement under Chapter 14A of the Listing Rules would be unduly burdensome and, in particular, would induce unnecessary administrative costs to us.

As a result, our Company has applied to the Stock Exchange for, and has been granted, a waiver under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules in respect of the Partially Exempt Continuing Connected Transactions.

If any material terms of the transactions contemplated under the abovementioned agreements are altered or if we enter into any new agreements with any connected persons in the future, we will fully comply with the relevant requirements under Chapter 14A of the Listing Rules unless we apply for and obtain a separate waiver from the Stock Exchange.

OUR DIRECTORS' VIEWS

In the view of our Directors (including our independent non-executive Directors), it is in our interests to continue with or commence the continuing connected transactions described in this section after the Listing, and that all these transactions are conducted on normal commercial terms or better, are entered into in our ordinary and usual course of business, the terms are fair and reasonable and are in the interests of our Company and our Shareholders as a whole. In addition, the proposed annual caps for the continuing connected transactions described above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor has reviewed the relevant documents and information provided by us. Based on the data and information provided, having made reasonable inquiries and after due and careful consideration, the Sole Sponsor is of the view that as of the date of this prospectus, the continuing connected transactions for which waivers have been sought, are entered into in our ordinary and usual course of business, on normal commercial terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the respective proposed annual caps are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

BOARD OF DIRECTORS

Our Board consists of eight Directors, comprising two executive Directors, three non-executive Directors (one of whom is our Chairman) and three independent non-executive Directors. Members of our Board are experienced individuals in their respective specialized areas.

The following table sets forth certain information in respect of our Directors:

Name	Age	Position(s) in our Company	Date of joining our Group/ appointment	Date of joining Jacobson Pharma Group	Roles and responsibilities in our Group	Relationship with other Directors and/or senior management
Wong Yat Wai, Patrick (黃一偉)	57	Executive Director and chief executive officer	January 7, 2020	October 9, 2017	– Responsible for commercial operations and business and strategic development of branded healthcare products	None
Dr. Chu Ka Wing (朱家榮)	47	Executive Director and president of the proprietary Chinese medicine business	January 7, 2020	May 24, 2010	– Responsible for operations and business development of proprietary Chinese medicine business	None
Sum Kwong Yip, Derek (岑廣業)	58	Non-executive Director and Chairman	September 22, 2020	September 1, 1998	– Responsible for leading the activities and decisions of the Nomination Committee, advising on business plans and strategies and facilitating high-level monitoring and supervising of our Group – Chairman of the Nomination Committee	None
Yim Chun Leung (嚴振亮)	59	Non-executive Director	September 22, 2020	September 1, 2008	– Responsible for advising on corporate strategies, business plans and governance development – Member of the Remuneration Committee	None
Yeung Kwok Chun, Harry (楊國晉)	61	Non-executive Director	September 22, 2020	N/A	– Responsible for advising on corporate strategies and business plans in relation to our Group's business in China	None
Chan Kam Chiu, Simon (陳錦釗)	72	Independent non-executive Director	January 18, 2021	N/A	– Responsible for leading the activities and decisions of the Audit Committee and making recommendations on the operations and management of our Group – Chairman of the Audit Committee and member of the Remuneration Committee and Nomination Committee	None

Name	Age	Position(s) in our Company	Date of joining our Group/ appointment	Date of joining Jacobson Pharma Group	Roles and responsibilities in our Group	Relationship with other Directors and/or senior management
Luk Ting Lung, Alan (陸庭龍)	59	Independent non-executive Director	January 18, 2021	N/A	– Responsible for leading the activities and decisions of the Remuneration Committee and making recommendations on the operations and management of our Group – Chairman of the Remuneration Committee and member of the Audit Committee and Nomination Committee	None
Lau Shut Lee, Tony (劉述理)	52	Independent non-executive Director	January 18, 2021	N/A	– Responsible for making recommendations on the operations and management of our Group – Member of the Audit Committee, the Remuneration Committee and the Nomination Committee	None

Executive Directors

Wong Yat Wai, Patrick (黃一偉), aged 57, is an executive Director and the chief executive officer of our Company. He is responsible for the commercial operations of our Group and for overseeing our local and overseas business and the strategic development of our consumer healthcare products. Mr. Wong joined Jacobson Pharma Group in October 2017. He has over 32 years of experience in the healthcare business sector, with 18 years in the pharmaceutical industry and another 14 years in the medical devices sector.

Prior to joining us, Mr. Wong served as a senior business consultant and was later promoted to the executive director heading up the global medical devices business for Daewoong Pharmaceuticals Co., Ltd., a South Korean company, from September 2014 to July 2017, where he was based in Hong Kong and was responsible for business development covering markets in Asia, the Middle East and South America. From March 2014 to August 2014, he worked at KCI Hong Kong Holding Limited as vice president of medical and science affairs — Asia PAC. From October 2003 to September 2013, he held various roles at Coloplast (Hong Kong) Limited, including acting as the Asia export manager, the market director since April 2004, the general manager for Asian emerging markets since October 2008 until he took on the role as regional marketing director for China and Japan in 2009. Between July 1996 and September 2003, he worked at Ferring Pharmaceuticals Limited as marketing manager – Hong Kong. From March 1993 to April 1995, he was the OTC generic department marketing manager at Mekim Limited. Mr. Wong worked at Fandasy Co., Ltd., where the last position he held was sales manager, from August 1987 to February 1993.

Mr. Wong graduated from the Hong Kong Polytechnic University in November 1987, where he received his professional diploma in Occupational Therapy. He subsequently obtained a master's degree in Medical Sciences from the University of Hong Kong in November 2000.

Dr. Chu Ka Wing (朱家榮), aged 47, is an executive Director and president of the proprietary Chinese medicine business of our Group. He is responsible for the operations and business development of our proprietary Chinese medicine business. Dr. Chu has over 18 years of experience in the pharmaceutical industry, and he is also an inventor of patents on the preparation and standardization of immunomodulatory peptide-linked glucans from the medicinal mushroom *Coriolus versicolor* (U.S. Patent No. 7048932 B2 and China Patent No. ZL03141007.3).

Dr. Chu joined Jacobson Pharma Group in May 2010 as a general manager of operation and quality management at LCST (Holdings) and was subsequently transferred to act as general manager of traditional Chinese medicine at Jacobson Group Management Limited in July 2014 before his promotion as vice president of traditional Chinese medicine in January 2015. Dr. Chu was further appointed as senior vice president of Chinese medicine in October 2016, where he was responsible for overseeing the operations of Chinese medicine business.

Prior to joining Jacobson Pharma Group, Dr. Chu served as a business development manager at the Hong Kong Jockey Club Institute of Chinese Medicine Limited from March 2009 to May 2010. From April 2002 to July 2008, he worked as a research and development manager, regulatory affairs manager, production manager and was later promoted to a technical director and direct sales director at PuraPharm International (H.K.) Limited, a company whose shares are listed on the Hong Kong Stock Exchange (stock code: 1498).

Dr. Chu obtained his bachelor's degree in Pharmacy and his Ph.D. degree from the Chinese University of Hong Kong, in December 1995 and November 2001, respectively. He has also been an honorary adjunct assistant professor of the School of Pharmacy of the Chinese University of Hong Kong since September 2005. He has been a registered pharmacist under the Pharmacy and Poisons Board of Hong Kong since July 1996. Dr. Chu also concurrently serves as a member of the Committee on Research and Development of Chinese Medicines since January 2020, as well as an assessment panel member of the Enterprise Support Scheme under the Innovation and Technology Fund of the Hong Kong Government since July 2017. In addition, Dr. Chu was appointed as a director of the Hong Kong Chinese Patent Medicine Manufacturers' Association Limited in March 2019.

Non-executive Directors

Sum Kwong Yip, Derek (岑廣業), aged 58, is the Chairman of the Board and a non-executive Director, as well as the founder of Jacobson Pharma Group. With extensive experience in the pharmaceutical industry, Mr. Sum is responsible for advising on business plans and strategies and facilitating high-level monitoring and supervising of our Group. He has over 32 years of sales and corporate management experience in the pharmaceutical industry.

Mr. Sum is the chairman of the board of directors, the chief executive officer and an executive director of Jacobson Pharma (stock code: 2633), where he is responsible for overall strategic planning and operation management of Jacobson Pharma Group. He also spearheads the planning of product development and technological research functions.

Mr. Sum founded Jacobson Pharma Group in September 1998 and as a managing director, he was mainly responsible for business management and strategic development. Prior to founding Jacobson Pharma Group, Mr. Sum held various management positions with several multi-national corporations. He started his career in the pharmaceutical industry with Sandoz Division of Edward Keller Limited in April 1988 and moved on to take up a management position with Watsons Pharmaceutical Limited under Hutchison Whampoa Limited in December 1988. In 1990, Watsons Pharmaceutical Limited was renamed as JDH Pharmaceutical Limited. Since then, Mr. Sum had worked in the Inchcape Group and he was the chief executive of the pharmaceutical division under Inchcape JDH Limited in 1996 before he embarked upon his entrepreneurial pursuit with Jacobson Pharma Group. Since June 2007, Mr. Sum has also been a member of the advisory board at the School of Pharmacy of the Chinese University of Hong Kong.

Mr. Sum graduated from Cardiff University (formerly known as the University of Wales) in the United Kingdom with an honorary bachelor's degree in Pharmacy in July 1986 and was registered as a pharmaceutical chemist and accredited as a member of The Royal Pharmaceutical Society of Great Britain (formerly known as the Pharmaceutical Society of Great Britain) in August 1987. He was admitted into the registrar as a registered pharmacist under the Pharmacy and Poisons Board of Hong Kong in August 1987.

Yim Chun Leung (嚴振亮), aged 59, is a non-executive Director who has over 36 years of experience in the auditing, accounting and corporate finance fields. He is responsible for advising on corporate strategies, business plans and governance development of our Group as a member of the Board.

Mr. Yim first joined Jacobson Pharma Group in September 2008 and is currently an executive director and the company secretary of Jacobson Pharma, where he is mainly responsible for the corporate management, strategic development and investor relationship functions of Jacobson Pharma Group. He has served and been serving in numerous companies listed on the main board of the Hong Kong Stock Exchange. Mr. Yim has been serving as an independent non-executive director of China New City Commercial Development Limited (stock code: 1321) since May 2014 and served as an executive director of LVGEM (China) Real Estate Investment Company Limited (stock code: 95) from December 2004 and its chief executive officer from July 2014, respectively until he resigned in March 2016. From May 2002 to June 2004, Mr. Yim served as the financial controller of Soundwill Holdings Limited (stock code: 878). From December 2000 to February 2002, Mr. Yim served as the chief financial officer of Sinolink Worldwide Holdings Limited (stock code: 1168). From January 1998 to April 1999, Mr. Yim served as an executive director of NPH International Holdings Limited (currently known as Concord New Energy Group Limited, stock code: 182). From January 1994 to January 1998, Mr. Yim served as the finance director of Tysan Holdings Limited (stock code: 687). From June 1987 to December 1993, Mr. Yim worked at GPI International Limited (a subsidiary of Gold Peak Industries (Holdings) Limited, stock code: 40) and his last position was assistant financial controller.

Mr. Yim obtained a master of Business Administration degree from the University of Manchester, United Kingdom in June 2008. He has been a member of the Hong Kong Institute of Certified Public Accountants since January 1991, a fellow of the Chartered Association of Certified Accountants since October 1995, and a fellow of the Institute of Chartered Accountants in England and Wales since April 2015.

Yeung Kwok Chun, Harry (楊國晉), aged 61, is a non-executive Director of our Company who has over 40 years of experience in the pharmaceutical and Chinese medicinal herbal industry. Mr. Yeung is responsible for advising on corporate strategies and business plans in relation to our Group's business in China.

Prior to joining us, Mr. Yeung held various managerial positions in both local and international pharmaceutical companies, covering areas such as strategic planning, research and development, marketing and corporate affairs. He had worked at LKK Health Products Group for over 24 years, where he held various positions such as senior vice president from March 2007 to December 2018, and his last held position was senior advisor to the chairman of LKK Health Products Group Limited from January 2018 to December 2018. Mr. Yeung's roles in LKK Health Products Group also included serving as senior vice president of Infinitus (China) Limited, where he led his team in successfully applying for the direct selling license for such company, implementing brand internationalization strategy, brand equity management, strengthening the company's research and development excellence, scientific collaborations and product development, and implementation of corporate social responsibility strategies. He was appointed as the director of corporate development of LKK Health Products Group Limited in April 2001. He was also a general manager of Caring International Group Limited from October 1995 to March 2001, during which he was responsible for the management of its direct selling business whilst concurrently acting as the managing director of the Hong Kong Traditional Chinese Medicine Research Centre, a collaborative research venture and research facility established jointly by LKK Group Limited and The Hong Kong University of Science & Technology, where his term of office commenced in July 1996. He joined Lee Kum Kee Pharmaceutical Company Limited as a general manager in December 1994, where he was responsible for developing and executing business plans. From July 1990 to October 1994, Mr. Yeung was general manager of the Glaxo Laboratories Division of Glaxo Hong Kong Limited, where he was responsible for the overall management, including sales and marketing, training and strategic planning. In July 1978, he started his career in the pharmaceutical industry as a medical representative at Glaxo Hong Kong Limited.

Mr. Yeung received a diploma in Management Studies and a master's degree in Business Administration from Hong Kong Polytechnic University in November 1986 and November 1993, respectively. He also obtained a diploma in Marketing from The Institute of Marketing, United Kingdom in November 1985. Mr. Yeung also held various public roles in government and Chinese medicine professional associations in China and Hong Kong. In China, he was a member of the twelfth Jilin Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議吉林省第十二屆委員會) since January 2018. In Hong Kong, Mr. Yeung has been a founding member of Modernized Chinese Medicine International Association Limited since 2000, a chairman of MCMIA Foundation Limited since June 2014, a member of the Regulatory Committee of Chinese Medicines Traders at the CMCHK since July 2015 and a member of the Chinese Medicines Industry Subcommittee under the Chinese Medicine Development Committee at the Food and Health Bureau of the Hong Kong Government since February 2019.

Mr. Yeung is a founding member of Hong Kong Asthma Society, which is a non-profit charitable organization established in 1989 to provide information and services about asthma.

Independent non-executive Directors

Chan Kam Chiu, Simon (陳錦釗), aged 72, is an independent non-executive Director who has over 35 years of experience in financial management and integrated supply chain management in the consumer healthcare industry. He is responsible for providing independent advice and judgment to our Board.

Prior to joining our Group, Mr. Chan held various positions at Fung Group (formerly known as Li & Fung Group) for over 16 years between January 2000 to June 2016. From January 2011 to June 2016, he served as the chief operating officer of LF Asia (a wholly-owned subsidiary of Li & Fung Limited, the shares of which were listed on the Stock Exchange (stock code: 494) until its privatization in May 2020). LF Asia, primarily engaging in providing supply chain services to multinational brands of consumer healthcare products, was acquired by Dah Chong Hong Holdings Limited in 2016. He facilitated the business transfer and continued his role until January 2018.

From July 1989 to December 1999, Mr. Chan held various roles at Inchcape Pacific Limited, including acting as its regional finance director for its consumer and healthcare business in North Asia prior to Li & Fung Group's acquisition of the business in 1999. Prior to joining Inchcape Pacific Limited, Mr. Chan served as a senior manager of Touché Ross & Co. CPA. from January 1981 to June 1984, and worked at Johnson & Johnson (HK) Limited from July 1984 to July 1989 where his last position was financial director.

Mr. Chan graduated from the University of San Francisco, California, U.S., with a bachelor's degree in Science in the college of Business Administration in December 1972, and subsequently received his master of Business Administration degree in Accounting from Golden Gate University, California, U.S. in June 1976. He also obtained a master's degree in Buddhist Studies from the University of Hong Kong in November 2015. Mr. Chan obtained his qualification as a member of the Institute of Chartered Accountants of Ontario, Canada in September 1980, and has been a member of the Hong Kong Institute of Certified Public Accountants since October 1981.

Mr. Chan is the co-founder and director of Lang Qing Charity Limited, which is a non-profit organization established to facilitate and enhance the education on environmental protection and sustainable development in Hong Kong and mainland China.

Luk Ting Lung, Alan (陸庭龍), aged 59, is an independent non-executive Director who has over 35 years of experience in the financial services industry. He is responsible for providing independent advice and judgment to our Board.

Since November 2010, Mr. Luk has been the head of private banking and trust services at Hang Seng Bank Ltd., a company whose shares are listed on the Stock Exchange (stock code: 0011), where he is primarily responsible for the overall management of the private banking and trust services. He also previously served as the head of investment advisory at Hang Seng Bank Ltd. from November 2008 to October 2010.

From November 1999 to October 2008, Mr. Luk had held various roles at American Express Bank Ltd., Hong Kong, including serving as its alternate chief executive. His responsibilities included balance sheet management, investment product sales and development, the establishment of risk management systems and internal controls over the bank's activities and operations. Before that, Mr. Luk had worked at Schroders Asia Ltd., Hong Kong from June 1990 to November 1999, with his last held position there as assistant director, during which he was involved in managing its dealing and trading activities. Previously, Mr. Luk had worked at HSBC Investment Bank Asia Limited (formerly known as Wardley Limited) from March 1984 to June 1990, with his last held position there as a bond trader.

Mr. Luk received his master's degree in Business Administration from Murdoch University, Perth, Australia in July 1999 through distance learning. He then obtained his master of science degree in Global Finance jointly conferred by the Hong Kong University of Science and Technology and the New York University Leonard N. Stern School of Business, U.S. in May 2009.

Lau Shut Lee, Tony (劉述理), aged 52, is an independent non-executive Director who has over 14 years of experience in the e-commerce and technology industries. He is responsible for providing independent advice and judgment to our Board.

Since March 2015, Mr. Lau has served as the managing director of Fung Omni Services (HK) Limited, a member of Fung Group, through Fung Group's acquisition of the e-commerce business of Fireswirl Technologies Inc., a Canadian public company (stock code: TSX-V:FSW) in the same year, where the principal business of Fung Omni Services (HK) Limited is to provide e-commerce and omni-channel commerce services. For this role, Mr. Lau has been primarily responsible for the overall management of the e-commerce marketing services and technology innovation. Before joining Fung Omni Services (HK) Limited, Mr. Lau also held multiple positions at Fireswirl Technologies Inc., previously known as Redstone Capital Corp., including acting as chief executive officer from December 2008 to September 2015, chairman of the board of directors from October 2007 to March 2015 and chief technology officer from August 2006 to September 2015. Mr. Lau's responsibilities at Fireswirl Technologies Inc. included technology development, product strategy, and business development.

Mr. Lau was a director of Conia Development Limited, a Hong Kong- incorporated company, when it was dissolved on January 21, 2003. As confirmed by Mr. Lau, Conia Development Limited was inactive and solvent at the time when it was dissolved and there was no wrongful act on his part leading to the dissolution. He is also not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution.

Mr. Lau obtained his bachelor's degree in Electronics Systems and Microcomputer Engineering from the University of Glasgow, United Kingdom, in July 1990.

Save as disclosed above, none of our Directors holds or has held any other directorships in any other company whose shares are listed in Hong Kong or overseas during the three years immediately preceding the date of this prospectus. For further information on our Directors, including particulars of their service contracts and remuneration, and details of the interests of our Directors in the Shares (within the meaning of Part XV of the SFO), see "Statutory and General Information" in Appendix IV to this prospectus. Save as disclosed herein, there are no other matters in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there are no other material matters relating to our Directors that needs to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

Our senior management team comprises six members who are responsible for the day-to-day management and operation of our business in support of our executive Directors.

The following table sets forth certain information in respect of our senior management team:

Name	Age	Position(s) in our Company	Date of joining our Group/ appointment	Date of joining Jacobson Pharma Group	Principal responsibilities in our Group	Relationship with other Directors and/or senior management
Au Man Yee, Teresa (歐敏兒)	48	Chief Operations Officer and Company Secretary	September 22, 2020	April 2, 2020	Overseeing the corporate affairs, project management, information technology, human resources, company secretarial, legal and administrative functions of our Group	None
Wong Ka Kin, Andy (黃家健)	47	Vice President, Greater China sales and e-commerce	September 22, 2020	March 1, 2019	Strategic planning, business development and establishment of trade distribution channels for our branded healthcare products	None
Lam Kau Lap (林教立)	34	Group Financial Controller	July 1, 2020	January 2, 2015	Management of the finance and accounting functions	None
Wang Lin (汪檁)	55	Deputy General Manager, proprietary Chinese medicine business	September 22, 2020	March 3, 2008	Operations of proprietary Chinese medicine business	None
Lo Chui Yee (羅翠儀)	53	Senior Marketing Manager	November 4, 2013	November 4, 2013	Brand building and marketing for our proprietary Chinese medicine products	None
Leung Hoi Ki (梁凱棋)	38	Operation Manager, proprietary Chinese Medicine	December 15, 2014	December 15, 2014	Production and operation, new product development and proprietary Chinese medicine quality assurance	None

Au Man Yee, Teresa (歐敏兒), aged 48, is the Chief Operations Officer and the Company Secretary of our Company. She has over 23 years of experience in auditing, financial management, operational management and risk management in multinational companies. Ms. Au re-joined Jacobson Pharma Group in April 2020. She is responsible for overseeing the corporate affairs, project management, information technology, human resources, company secretarial, legal and administrative functions of our Group.

Prior to re-joining Jacobson Pharma Group, Ms. Au served as the regional chief financial and administrative officer at Euler Hermes Asia Pacific, a subsidiary group of Allianz, from March 2013 to August 2018, where she was responsible for the management of finance, legal and compliance, and operations for the Asia Pacific region. Ms. Au worked at Jardine Lloyd Thompson Limited from September 2010 to February 2013, and her last position was the finance director. From January 2009 to August 2010, Ms. Au served as the group financial controller of Jacobson Pharma Group, where she was responsible for its financial, corporate strategic and operational matters. From September 1996 to

February 2008, Ms. Au worked at PricewaterhouseCoopers, where her last held position was senior manager. Ms. Au also served different roles in the Financial Reporting Council from September 2018 to March 2020.

Ms. Au obtained her bachelor of commerce degree majoring in Accounting (with honors) from the University of British Columbia, Canada in May 1995. She subsequently received a master of Business Administration degree from the Hong Kong University of Science and Technology in November 2002. She has been a member of the American Institute of Certified Public Accountants in the United States since May 1996 and a fellow member of the Hong Kong Institute of Certified Public Accountants since July 2011. Ms. Au has been active in public service and she concurrently serves on various panels and committees of different public bodies in Hong Kong.

Wong Ka Kin, Andy (黃家健), aged 47, is the Vice President, Greater China sales and e-commerce of our Company. He joined Jacobson Pharma Group in March 2019 and is responsible for the strategic planning, business development and establishment of trade distribution channels for its branded healthcare products. He has over 20 years of experience in the pharmaceutical and healthcare industries.

Prior to his engagement with Jacobson Pharma Group, Mr. Wong held various key positions with well-known multi-national companies. He was the Head of Health at Watsons Hong Kong of A.S. Watson Group from January 2018 to August 2018, where he was responsible for the trading and brand development of health category products. Prior to that, Mr. Wong worked at The Dairy Farm Company Limited since August 2003. His last held position there was as senior manager, health & category development at The Dairy Farm Company Limited — GNC from February 2017 to January 2018. Previously, Mr. Wong also worked as a pharmacist, senior pharmacist, category manager and was later promoted to senior manager, health development at The Dairy Farm Company Limited — Mannings Hong Kong & Macau. Before joining The Dairy Farm Company Limited, Mr. Wong worked at Yan Chai Hospital from January 1998 to June 1999, where his last held position was dispenser. From July 1996 to September 1997, Mr. Wong worked at Lloyds Retail Chemist Limited in the United Kingdom, where the last position held by him was pharmacist manager.

Mr. Wong obtained his bachelor's degree in Pharmacy from the School of Pharmacy, University of London, United Kingdom in August 1996. He has been accredited as a registered pharmaceutical chemist with the Royal Pharmaceutical Society of Great Britain since July 1997 and was subsequently admitted into the registrar as a registered pharmacist with the Pharmacy and Poisons Board of Hong Kong since October 1998. He has been a member of the General Pharmaceutical Council in the United Kingdom since August 1997. He also holds various advisory roles in government, academic institutions and professional associations. He has been a member of the Pharmacy Internship Training Committee of the Pharmacy and Poisons Board of Hong Kong since January 2016 to December 2017 and an assessment panel member of the Social Workers Registration Board from January 2014 to December 2019. He was a member of the Pharmacy and Poisons Board of Hong Kong from August 2013 to August 2017, and has served as a member of the Advisory Board of the Bachelor of Pharmacy Programme under the Department of Pharmacology and Pharmacy at the University of Hong Kong from July 2010 to June 2019. From December 2012 to December 2017, Mr. Wong was a member of the General Council of the Pharmaceutical Society of Hong Kong Limited. Currently, he serves as a College Council Member of the College of Pharmacy Practice of Hong Kong since June 2014.

Lam Kau Lap (林教立), aged 34, is the Group Financial Controller of our Group. He is mainly responsible for the management of the finance and accounting functions of our Group. He has over 10 years of experience in auditing, accounting and finance fields.

He joined Jacobson Pharma Group in January 2015 as the finance manager, and was later promoted to deputy financial controller in May 2019. He was re-designated as the Group Financial Controller to our Group from July 2020, Mr. Lam served as the finance manager of Design Pool Limited from October 2012 to May 2014. Before that, he worked at KPMG from July 2008 to October 2012 where his last held position was an assistant manager.

Mr. Lam obtained a bachelor's degree in Business Administration in Accounting and Finance from the University of Hong Kong in June 2008. He has been a member of the Hong Kong Institute of Certified Public Accountants since September 2011.

Wang Lin (汪檁), aged 55, is the Deputy General Manager for the proprietary Chinese medicine business segment of our Group. She has over 30 years of experience in traditional Chinese medicines industry, with extensive experiences in GMP quality management and operational practices for different traditional Chinese medicines manufacturing facilities, as well as substantial experience in medical product registration. Ms. Wang joined Jacobson Pharma Group as a traditional Chinese medicines quality assurance manager & operation manager at Europharm Laboratories Co., Ltd. from March 2008 to March 2017, before she was promoted to an assistant general manager of Chinese medicine in April 2017, where she was responsible for the quality management of the manufacturing process, product regulatory affairs and daily operations of traditional Chinese medicines.

Before joining Jacobson Pharma Group, Ms. Wang worked in Shenzhen Huakang Medicine Co, Ltd from August 2003 to February 2008 as the quality assurance manager and assistant general manager, in charge of quality management, GSP implementation and authentication, product registration as well as daily operations. From May 2001 to July 2003, she worked at the Guangning pharmaceutical manufacturing plant of Million King Group. From May 1999 to June 2001, Ms. Wang was employed as a manager of the software department at Anhui Fengyang Keyuan Pharmaceutical Co., Ltd. (安徽鳳陽科苑藥業有限公司). Prior to that, she worked as a pharmaceutical manufacturing engineer at Huainan Shuangyin Pharmaceutical Co., Ltd. (淮南市雙銀藥業有限公司) (formerly known as Huainan First Pharmaceutical Manufacturing Factory (淮南市第一製藥廠)), Anhui province, the PRC, from July 1985 to April 1999, where she was responsible for production engineering, product research & development and product registration.

Ms. Wang obtained a diploma majoring in Chinese Medicine at Anhui University of Traditional Chinese Medicine (安徽中醫藥大學) (formerly known as Anhui College of Traditional Chinese Medicine (安徽中醫學院) in China in July 1991 through distance-learning. She became a licensed pharmacist in China since October 2002. She was awarded with the Anhui Province certificate of scientific and technological research achievement (安徽省科學技術研究成果證書) from the Anhui Province science and technology committee in August 1999.

Lo Chui Yee (羅翠儀), aged 53, is the Senior Marketing Manager of our Group. She is responsible for the brand building and marketing of our proprietary Chinese medicine products. She has over 20 years of industry experience in the sales and marketing of fast-moving consumer goods, health supplements and Chinese medicines in Hong Kong.

Ms. Lo joined our Group in November 2013 as a marketing manager at LCST (Holdings) and was subsequently promoted as its senior marketing manager in February 2019, mainly in charge of brand building and marketing of products.

Prior to joining Jacobson Pharma Group, Ms. Lo was employed as a marketing consultant at KADOSH Health & Beauty Co. Ltd. from October 2012 to February 2013. From October 2010 to October 2012, she worked as a senior product manager at Green Science International Limited. Prior to that, Ms. Lo served various positions at The Kowloon Dairy Ltd and was assistant marketing manager, senior product manager, product manager and marketing assistant between July 1991 and March 2010. Ms. Lo left Kowloon Dairy in August 1998 to pursue a master's degree in Middlesex University. Before Ms. Lo re-joined The Kowloon Dairy Ltd in August 2001, she was employed as a brand manager at Sims Trading Company Limited from March 2000 to August 2001. Ms. Lo began her marketing career as a marketing assistant at Giant Sky Limited (Premier Travel), from November 1990 to March 1991.

Ms. Lo received a diploma in Business Administration from Hong Kong Shue Yan University (formerly known as Hong Kong Shue Yan College) in July 1990. She then obtained a master's degree in Marketing Management from Middlesex University, United Kingdom in February 2000. She has become a member and a chartered marketer of The Chartered Institute of Marketing, United Kingdom since February 2012 and July 2013, respectively.

Leung Hoi Ki (梁凱棋), aged 38, is the Operation Manager, proprietary Chinese Medicine of our Group. She is responsible for production and operation, new product development and proprietary Chinese medicine quality assurance. She has over 13 years of experience in the Chinese medicine industry in Hong Kong and has worked in a number of pharmaceutical companies in Hong Kong.

Ms. Leung joined our Group in December 2014 as an operation manager at Jetstar, where she is responsible for overseeing the production, operation, product development and quality assurance affairs of our proprietary Chinese medicine products. Prior to this, Ms. Leung was employed as a quality assurance manager at Hong Kong Zihua Pharmaceutical Limited from April 2011 to December 2014, during which she was the quality assurance manager with the responsibility of establishing good manufacturing practice (GMP) for proprietary Chinese medicines. From January 2010 to April 2011, Ms. Leung was a factory manager at Po Wo Tong Medicines (HK) Limited. From June 2006 to January 2010, Ms. Leung was also employed at Wai Yuen Tong Medicine Co. Ltd. as a quality assurance officer.

Ms. Leung graduated from Hong Kong Baptist University in November 2006 with a bachelor of pharmacy degree in Chinese Medicine. She subsequently received her master's degree in Nutrition, Food Science and Technology from The Chinese University of Hong Kong in December 2010.

Save as disclosed in this prospectus, none of our senior management members holds or has held any directorships in any other company listed in Hong Kong or overseas in the last three years prior to the Latest Practicable Date.

COMPANY SECRETARY

Au Man Yee, Teresa (歐敏兒) was appointed as the company secretary of our Company on September 22, 2020. For details of her background, see the section headed "— Senior Management" above.

COMMON DIRECTORSHIP BETWEEN OUR COMPANY AND JACOBSON PHARMA

There is common directorship held by Mr. Sum and Yim Chun Leung in our Company and Jacobson Pharma. Both Mr. Sum and Mr. Yim are non-executive Directors of our Company and executive directors of Jacobson Pharma. There is no common directorship of executive Directors or overlap of senior management between us and Jacobson Pharma. We believe that management independence of our Group will be maintained on the basis set out in the section headed "Relationship with Jacobson Pharma — Independence from the Remaining Parent Group — Management Independence."

BOARD COMMITTEES

We have established the audit committee, the remuneration committee and the nomination committee and delegated various responsibilities to these committees, which assist our Board in discharging its duties and overseeing particular aspects of our Group's activities.

Audit Committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members, namely Chan Kam Chiu, Simon, Luk Ting Lung, Alan and Lau Shut Lee, Tony. Chan Kam Chiu, Simon, our independent non-executive Director, is the chairman of the audit committee, who possesses the professional qualification and accounting expertise in compliance with the requirements under Rules 3.10(2) and 3.21 of the Listing Rules.

The primary duties of the audit committee are to (i) review and supervise our financial reporting process and internal control system of the Group, risk management and internal audit; (ii) provide advice and comments to our Board; and (iii) perform other duties and responsibilities as may be assigned by the Board.

Remuneration Committee

We have established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of four members, namely Luk Ting Lung, Alan, Yim Chun Leung, Chan Kam Chiu, Simon and Lau Shut Lee, Tony. Luk Ting Lung, Alan, our independent non-executive Director, is the chairman of the remuneration committee.

The primary duties of the remuneration committee are to (i) establish, review and provide advice to our Board on our policy and structure concerning remuneration of our Directors and senior management members and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) determine the terms of the specific remuneration package of each Director and senior management; and (iii) review and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time.

Nomination Committee

We have established a nomination committee with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The nomination committee consists of four members, namely Sum Kwong Yip, Derek, Lau Shut Lee, Tony, Chan Kam Chiu, Simon and Luk Ting Lung, Alan. Sum Kwong Yip, Derek, our Chairman and non-executive Director, is the chairman of the nomination committee.

The primary duties of the nomination committee are to (i) review the structure, size and composition of our Board on a regular basis and make recommendations to the Board regarding any proposed changes to the composition of our Board; (ii) make recommendations to our Board on the selection of individuals nominated for directorship; (iii) assess the independence of our independent non-executive Directors; and (iv) make recommendations to our Board on relevant matters relating to the appointment, re-appointment and removal of our Directors and succession planning for our Directors.

CORPORATE GOVERNANCE CODE

We recognize the importance of maintaining a high standard of corporate governance so as to ensure effective accountability and safeguard the interest of our Shareholders. Our corporate governance measures are based on principles and code provisions as set out in the Corporate Governance Code and we are in compliance with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

BOARD DIVERSITY

Board diversity policy

We recognize the benefit of having a diverse Board and are committed to promote diversity in our Group for sustainable and balanced development. To increase diversity at Board level and enhance our ability to attract and retain suitable talents, we have adopted a board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board.

Based on our board diversity policy, we seek to achieve board diversity when considering Board composition and succession planning by taking into consideration a range of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity, length of service and other factors which the Board may consider relevant from time to time.

Selection of candidates for the Board will be based on the nomination procedures of our Company, taking into account our board diversity policy. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board, having due regard to the benefits of diversity on the Board.

Our Directors have a balanced mix of knowledge, expertise and skills in the areas including, pharmacy, consumer healthcare, Chinese medicines, marketing and e-commerce, accounting and finance, corporate management and financial services.

Gender diversity

Our Company values gender diversity and the benefits it may bring to the Board. Though we are yet to have gender diversity on our Board, over half of our senior management team is female, whose perspectives facilitate our Directors in discharging its duties. Our policy is to achieve gender diversity on our Board by increasing the proportion of female members on our Board over time.

Our nomination committee will take opportunities to increase female representation on our Board when selecting and making recommendation on suitable candidates for Board appointments. It will aim to identify and recommend at least one suitable female candidate for the Board's consideration within one year of Listing.

In addition to the Board level, we are also committed in promoting gender diversity at the senior management and all other levels of our Group by providing career development opportunities for female staff, making available to them knowledge and skills training in support of succession planning and ensuring future gender diversity can be achieved on the Board.

Our nomination committee has been delegated with the overall responsibility for implementation, monitoring and review of our board diversity policy. It will review our board diversity policy and our diversity profile (including gender balance) from time to time to ensure its effectiveness. We will also disclose information on the implementation of our board diversity policy in our corporate governance report on an annual basis.

COMPLIANCE ADVISOR

We have appointed TUS Corporate Finance Limited as our compliance advisor (the "**Compliance Advisor**") pursuant to Rule 3A.19 of the Listing Rules subject to Listing. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where we propose to use the proceeds of the Public Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares of our Company.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation from our Company in the form of fees, salaries, contributions to pension schemes, discretionary bonuses, allowances and other benefits in kind.

The aggregate remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, allowances and other benefits in kind) incurred for our Directors in connection with their services rendered to our Group for the years ended March 31, 2018, 2019 and 2020 and for the four months ended July 31, 2020 was HK$1.1 million, HK$1.5 million, HK$5.4 million and HK$1.4 million, respectively.

For the years ended March 31, 2018 and 2019, one out of the five highest paid individuals of our Company was our Director. For the year ended March 31, 2020 and for the four months ended July 31, 2020, two out of the five highest paid individuals of our Company were our Directors. The aggregate amount of fees, salaries, contributions to pension schemes, discretionary bonuses, allowances and other benefits in kind paid to the other individuals who were among the five highest paid individuals of our Company for the years ended March 31, 2018, 2019 and 2020 and for the four months ended July 31, 2020 was HK$4.1 million, HK$4.0 million, HK$3.9 million and HK$1.4 million, respectively.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office for the years ended March 31, 2018, 2019 and 2020 and for the four months ended July 31, 2020. Further, none of our Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments have been made or are payable in respect of each of the years ended March 31, 2018, 2019 and 2020 and for the four months ended July 31, 2020 by our Group to our Directors respectively.

Under the arrangements currently in force, the aggregate amount of remuneration, excluding discretionary bonuses, payable to our Directors for the year ending March 31, 2021 is estimated to be approximately HK$4.2 million.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the Listing, will receive recommendations from the remuneration committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and senior management, and performance of our Group.

Substantial Shareholders

So far as our Directors are aware as of the Latest Practicable Date, and assuming that the total number of Jacobson Pharma Shares in issue remains unchanged from the Latest Practicable Date to the Record Date, immediately following the completion of the Spin-off, the following persons are expected to have an interest and/or a short position in our Shares which would be required to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Long Position in our Shares

		As of the Latest Practicable Date		Immediately following the completion of the Spin-off	
Name of Shareholder	**Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding in our Company**	**Number of Shares**	**Approximate percentage of shareholding in our Company**
JBM Group BVI[1]	Beneficial owner	722,000,000	85.04%	480,222,375	53.74%
Jacobson Pharma[1][2]	Interest in controlled corporation	722,000,000	85.04%	480,222,375	53.74%
Kingshill[2]	Interest in controlled corporation	722,000,000	85.04%	480,222,375	53.74%
Lincoln's Hill[2]	Beneficial owner	–	–	106,335,500	11.90%
Trust Co[2]	Interest in controlled corporation Trust Holding Company	722,000,000	85.04%	586,557,875	65.63%
UBS Trustees (B.V.I.) Limited[2]	Interest in controlled corporation Trustee	722,000,000	85.04%	586,557,875	65.63%
Mr. Sum[2]	Interest in controlled corporation Settlor of trust Beneficial owner	722,000,000	85.04%	622,594,375	69.67%
New Heritage Healthcare Limited[3]	Beneficial owner	42,000,000	4.95%	46,166,875	5.17%
Richard Tao[3]	Interest in controlled corporation	42,000,000	4.95%	46,166,875	5.17%
Paul Tao[3]	Interest in controlled corporation	42,000,000	4.95%	46,166,875	5.17%

Notes:

(1) JBM Group BVI is wholly-owned by Jacobson Pharma. By virtue of the SFO, Jacobson Pharma is deemed to be interested in the Shares held by JBM Group BVI.

(2) Jacobson Pharma is owned as to approximately 43.98%, 14.8% and 0.1% by Kingshill, Queenshill and Mr. Sum (in his personal capacity), respectively. Each of Lincoln's Hill and Kingshill is wholly-owned by Trust Co under The Kingshill Trust, a discretionary trust established by Mr. Sum (as the settlor) with Mr. Sum and his family members as the discretionary beneficiaries. Trust Co is in turn wholly-owned by UBS Trustees (B.V.I.) Limited (the trustee of The Kingshill Trust) through its nominee, UBS Nominees Limited. Queenshill is wholly-owned by Mr. Sum. By virtue of the SFO, (i) each of Kingshill, Trust Co, UBS Trustees (B.V.I.) Limited and Mr. Sum is deemed to be interested in the Shares in which Jacobson Pharma is interested; (ii) each of Trust Co, UBS Trustees (B.V.I.) Limited and Mr. Sum will be deemed to be interested in the Shares in which Lincoln's Hill will be interested; and (iii) Mr. Sum is deemed to be interested in the Shares in which Queenshill is interested.

(3) New Heritage Healthcare Limited is one of our Strategic Investors. For further information of New Heritage Healthcare Limited, see the section headed "History, Reorganization and Corporate Structure — Pre-IPO Investors — Background of the Strategic Investors." So far as our Directors are aware, New Heritage Healthcare Limited is ultimately owned by, among others, Mr. Richard Tao and Mr. Paul Tao, and by virtue of the SFO, each of Mr. Richard Tao and Mr. Paul Tao is deemed to be interested in the Shares in which New Heritage Healthcare Limited is interested.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Spin-off, has any interest and/or a short position in our Shares which would be required to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

OUR SHARE CAPITAL

Our share capital as of the Latest Practicable Date

The following is a description of the authorized and issued share capital of our Company as of the Latest Practicable Date:

		Nominal value
		HK$
Authorized share capital		
5,000,000,000	Shares of HK$0.01 each	50,000,000
Issued share capital		
849,000,000	Shares	8,490,000

Our share capital immediately following the completion of the Public Offer

The following is a description of the authorized and issued share capital of our Company immediately following the completion of the Public Offer

		Nominal value
		HK$
Authorized share capital		
5,000,000,000	Shares of HK$0.01 each	50,000,000
Issued share capital		
849,000,000	Shares in issue prior to the Public Offer	8,490,000
44,686,000	Shares to be issued pursuant to the Public Offer	446,860
893,686,000	Shares in total	8,936,860

ASSUMPTIONS

The above table assumes that the Public Offer becomes unconditional and that the total number of Jacobson Pharma Shares in issue remains unchanged from the Latest Practicable Date to the Record Date. It does not take into account any Shares which may be allotted and issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

The minimum level of public float to be maintained by our Company at all times after Listing under the Listing Rules is 25% of its share capital in issue from time to time.

RANKING

Our Shares will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will qualify for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the Public Offer becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with the Shares and to make or grant offers or agreements which might require such Shares to be allotted and issued or dealt with, subject to the requirement that the aggregate number of Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, scrip dividend scheme or similar arrangements, options to be granted under any option scheme or similar arrangement for the time being adopted, or a specific authority granted by our Shareholders) shall not be more than the sum of:

(a) 20% of the total number of Shares in issue immediately following the completion of the Public Offer; and

(b) the total number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to the Shares which they are authorized to issue under this general mandate, allot, issue or deal with our Shares pursuant to a rights issue, scrip dividend scheme or similar arrangements, or options to be granted under any option scheme or similar arrangement for the time being adopted, subject to applicable requirements including the Listing Rules.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of any option which may be granted under any option scheme or similar arrangement. This general mandate to issue Shares will expire at the earliest of:

(a) the conclusion of our Company's next annual general meeting;

(b) the date by which our Company's next annual general meeting is required by our Memorandum and Articles of Association or the Cayman Companies Act or applicable laws in the Cayman Islands to be held; or

(c) such mandate being revoked or varied or renewed by an ordinary resolution of our Shareholders at a general meeting.

For more information, see "A. Further Information About Our Group — 3. Resolutions in Writing of the Shareholders of Our Company Passed on January 18, 2021" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Public Offer becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares of not more than 10% of the total number of Shares in issue immediately following the completion of the Public Offer.

This mandate only relates to repurchases made on the Stock Exchange or any other stock exchange on which our Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with the Listing Rules. For more information, see "A. Further Information About Our Group — 6. Repurchases of Our Own Securities" in Appendix IV to this prospectus.

This general mandate to repurchase Shares will expire at the earliest of:

(a) the conclusion of our Company's next annual general meeting;

(b) the date by which our Company's next annual general meeting is required by our Memorandum and Articles of Association or the Cayman Companies Act or applicable laws in the Cayman Islands to be held; or

(c) such mandate being revoked or varied by an ordinary resolution of our Shareholders at a general meeting.

For more information, see the section headed "A. Further Information About Our Group — 3. Resolutions in Writing of the Shareholders of Our Company Passed on January 18, 2021" in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Cayman Companies Act and the terms of our Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase our authorized share capital; (ii) consolidate and divide our capital into Shares of larger amount; (iii) divide our Shares into classes; (iv) subdivide our Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Companies Act, reduce our share capital or capital redemption reserve by special resolution of Shareholders. For more information, see the section headed "2. Articles of Association — (a) Shares — (iii) Alteration of capital" in Appendix III to this prospectus.

Further, all or any of the special rights attached to our Shares or any class of shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of our shares of that class. For more information, see the section headed "2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares" in Appendix III to this prospectus.

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

OVERVIEW

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

BASIS OF PRESENTATION

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

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

EFFECTS OF THE NEW STANDARDS OF AND AMENDMENTS TO HKFRS

Adoption of HKFRS 9, HKFRS 15 and HKFRS 16

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

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

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

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

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

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

Growth of Our Consumer Healthcare Business

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

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

Market Demand for Our Proprietary Chinese Medicines

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

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

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

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

Effectiveness of Brand Management and Sales and Distribution Network

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

Cost of Materials

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

Quality of Our Products

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

Regulatory Changes

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

COVID-19 Outbreak

Financial Impact

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

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

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

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

Operational Impact

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

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

Financial Viability

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

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

CRITICAL ACCOUNTING POLICIES

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

RESULTS OF OPERATIONS

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

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

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

Revenue

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

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

- *Fluctuations in sales of Po Chai Pills and Ho Chai Kung Tji Thung San*: During the Track Record Period, Po Chai Pills and Ho Chai Kung Tji Thung San were our two top-selling products and together accounted for 65.7%, 59.3%, 43.4% and 38.4% of our revenue for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively. Therefore, fluctuations in sales of these two products have a significant impact on our overall revenue. In particular, sales of Po Chai Pills decreased by HK$29.1 million in the year ended March 31, 2020 mainly as a result of the negative impact of the social unrest in the second half of 2019 and the COVID-19 outbreak in 2020. However, we recorded an increase in Po Chai Pills sales of HK$16.4 million during the four months ended July 31, 2020 as compared to the corresponding period in 2019 as we adjusted our sales promotion practices while COVID-19 continued, whereby we switched from periodic promotional campaigns (which tend to skew our sales volume towards the months of campaign) to the offering of year-round promotions which tend to even out our sales of Po Chai Pills throughout the period.

- *Acquisition of the Orizen Group*: Our acquisition of additional stake and control of the Orizen Group in August 2019, which expanded our product portfolio to include more than 700 single and combo formula CCMG products under two CCMG brands, contributed significantly to our increase in revenue for the year ended March 31, 2020 and the four months ended July 31, 2020. More specifically, the consolidation of revenue from the Orizen Group contributed HK$70.9 million and HK$33.7 million, or 18.6% and 28.4%, of our revenue for the year ended March 31, 2020 and the four months ended July 31, 2020, respectively.

- *Portfolio expansion*: The successful launch and commercialization of selected new brands during the Track Record Period also contributed to the growth of our business. More specifically, aside from 2 CCMG brands under the Orizen Group that were added to our brand portfolio as described above, the new brands added to our portfolio during the Track Record Period also included 2 of our 20 principal brands as at March 31, 2020, namely, AIM Atropine (launched in late 2018) and Dr. Freeman (launched in 2020), which together generated HK$12.4 million, HK$28.0 million and HK$12.2 million, or 4.0%, 7.3% and 10.3%, of our revenue for the years ended March 31, 2019 and 2020 and the four months ended July 31, 2020, respectively.

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

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

By business segment

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

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

By distribution channel

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

	Year ended March 31,												Four months ended July 31,							
	2018				2019				2020				2019				2020			
	Revenue	% of revenue	Gross profit	Gross profit margin	Revenue	% of revenue	Gross profit	Gross profit margin	Revenue	% of revenue	Gross profit	Gross profit margin	Revenue	% of revenue	Gross profit	Gross profit margin	Revenue	% of revenue	Gross profit	Gross profit margin
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000 (unaudited)	%	HK$'000 (unaudited)	%	HK$'000	%	HK$'000	%
Direct sales																				
Trading companies	153,614	58.1	87,659	57.1	159,070	51.7	96,283	60.5	156,457	41.0	83,722	53.5	28,652	42.1	14,204	49.6	42,395	35.7	22,765	53.7
Chinese medicine practitioners	–	–	–	–	–	–	–	–	70,287	18.4	30,917	44.0	–	–	–	–	33,135	27.9	15,092	45.5
Retailers[(1)]	51,241	19.4	30,193	58.9	49,358	16.1	28,866	58.5	39,085	10.2	24,236	62.0	14,868	21.8	7,541	50.7	9,112	7.7	4,932	54.1
Hospitals and clinics	12,748	4.8	8,418	66.0	27,604	9.0	14,760	53.5	38,169	10.0	20,678	54.2	10,569	15.6	5,490	51.9	14,302	12.0	7,591	53.1
Others[(2)]	10,278	3.9	4,925	47.9	9,333	3.0	4,176	44.7	19,267	5.1	7,450	38.7	3,763	5.5	1,346	35.8	5,298	4.5	2,139	40.4
	227,881	86.2	131,195	57.6	245,365	79.8	144,085	58.7	323,265	84.7	167,003	51.7	57,852	85.0	28,581	49.4	104,242	87.8	52,519	50.4
Distributors and wholesalers	36,451	13.8	14,994	41.1	62,150	20.2	25,600	41.2	58,277	15.3	23,176	39.8	10,237	15.0	3,859	37.7	14,528	12.2	5,894	40.6
Total	**264,332**	**100.0**	**146,189**	**55.3**	**307,515**	**100.0**	**169,685**	**55.2**	**381,542**	**100.0**	**190,179**	**49.8**	**68,089**	**100.0**	**32,440**	**47.6**	**118,770**	**100.0**	**58,413**	**49.2**

Notes:

(1) Include major modern trade chain stores, registered pharmacies and drug stores.

(2) Include corporate clients, non-profit organizations, end consumers (through e-commerce platforms) and the Jacobson Connected Persons.

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

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

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

By geographic location

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

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

Note:

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

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

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

By brand ownership

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

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

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

By product

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

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

Notes:

(1) We launched Dr. Freeman Antiseptic Hand Rubs in February 2020.

(2) Products that were not among the five top-selling products for the period indicated are denoted with an asterisk (*).

(3) We launched AIM Atropine 0.01% Eye Drops in September 2018.

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

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

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

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

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

Notes:

(1) We launched Dr. Freeman Antiseptic Hand Rubs in February 2020.

(2) Products that were not among the five top-selling products for the period indicated are denoted with an asterisk (*).

(3) We launched AIM Atropine 0.01% Eye Drops in September 2018.

The sales volume of Ho Chai Kung Tji Thung San in the four months ended July 31, 2019 and 2020, when annualized, was comparably lower than the sales volume for the years ended March 31, 2019 and 2020, partly because our promotional efforts for Ho Chai Kung branded products were more concentrated in the second half of the 2019 and 2020 financial years, which generally resulted in higher sales in the corresponding periods. In terms of average selling prices, (i) the significant decreases in average selling prices of AIM Atropine 0.01% Eye Drops in the year ended March 31, 2020 and the four months ended July 31, 2020 were primarily driven by our joint effort with the third-party brand owner to provide substantial quantities of products at a very minimal price point to an academic establishment for their research purposes (the apparent decreasing trend in average selling prices across these two periods were largely driven by the increasing proportion of such special sales to our overall sales quantities of our AIM Atropine 0.01% Eye Drops in the four months ended July 31, 2020), while (ii) the significant decrease in the average selling price of Contractubex products in the four months ended July 31, 2020 was mainly attributable to lower price points given to bulk purchases coupled with promotional giveaways offered to select major modern trade chain stores during the period.

Cost of Sales

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

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

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

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

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

Gross Profit and Gross Profit Margin

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

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

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

Other Net Income

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

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

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

Selling and Distribution Expenses

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

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

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

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

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

Administrative and Other Operating Expenses

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

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

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

Listing Expenses

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

Finance Costs

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

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

Share of Profits Less Losses of Associates

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

Income Tax Expenses

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

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

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

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

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

Non-controlling Interests

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

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

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

Branded medicines

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

Health and wellness products

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

Proprietary Chinese medicines

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

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

Cost of sales

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

Gross profit and gross profit margin

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

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

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

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

Other net income

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

Selling and distribution expenses

Selling and distribution expenses increased by 44.7% from HK$21.1 million for the four months ended July 31, 2019 to HK$30.5 million for the four months ended July 31, 2020. This increase was primarily due to (i) increases of HK$3.4 million in depreciation and amortization and HK$2.2 million of staff costs, which were mainly attributable to amortization of customer relationship and an approximately twofold increase in headcount of the relevant staff primarily as a result of the our integration of the business of Orizen Group following our acquisition of its controlling stake, and (ii) an increase of HK$2.6 million in distribution cost, which was mainly a result of an increase in distribution and logistics fees to the Jacobson Connected Persons due to the inclusion of Ho Chai Kung branded products in our logistics arrangement with them in the four months ended July 31, 2020, as further described under the section headed "— Related Party Transactions — Distribution and Logistic Fees to Fellow Subsidiaries" below.

Administrative and other operating expenses

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

Finance costs

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

Share of profits less losses of associates

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

Income tax expenses

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

Profit for the period and net profit margin

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

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

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

Revenue

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

Branded medicines

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

Health and wellness products

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

Proprietary Chinese medicines

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

Cost of sales

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

Gross profit and gross profit margin

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

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

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

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

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

Other net income

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

Selling and distribution expenses

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

Administrative and other operating expenses

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

Finance costs

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

Share of profits less losses of associates

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

Income tax expenses

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

Profit for the year and net profit margin

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

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

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

Revenue

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

Branded medicines

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

Health and wellness products

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

Proprietary Chinese medicines

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

Cost of sales

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

Gross profit and gross profit margin

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

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

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

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

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

Other net income

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

Selling and distribution expenses

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

Administrative and other operating expenses

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

Finance costs

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

Share of profits less losses of associates

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

Income tax expenses

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

Profit for the year and net profit margin

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

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

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

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

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

Operating activities

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

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

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

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

Investing activities

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

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

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

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

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

Financing activities

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

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

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

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

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

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

CAPITAL EXPENDITURES

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

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

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

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

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

NET CURRENT ASSETS OR LIABILITIES

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

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

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

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

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

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

WORKING CAPITAL

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

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

PRINCIPAL CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Inventories

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

	As of March 31,			As of 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
Total	**31,359**	**30,046**	**63,778**	**62,954**

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

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

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

Note:

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

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

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

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

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

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

Note:

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

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

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

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

Trade and Other Receivables

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

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

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

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

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

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

	As of March 31,			As of 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 one month past due	10,508	34,100	13,765	7,567
One to three months past due	1,748	3,479	10,450	14,698
Over three months past due	8,388	3,171	5,813	8,066
Total	**37,939**	**64,081**	**72,118**	**62,763**

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

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

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

Note:

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

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

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

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

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

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

Property, Plant and Equipment

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

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

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

Intangible Assets

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

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

Intangible assets include the following:

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

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

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

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

Impairment tests for cash generating units containing goodwill and trademarks

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

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

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

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

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

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

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

Trade and Other Payables and Contract Liabilities

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

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

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

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

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

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

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

Note:

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

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

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

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

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

INDEBTEDNESS AND CONTINGENT LIABILITIES

Indebtedness

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

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

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

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

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

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

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

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

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

Contingent Liabilities

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

Statement of Indebtedness

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

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

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

Sales to Fellow Subsidiaries and Sales to A Related Party

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

Purchase from Fellow Subsidiaries

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

Distribution and Logistic Fees to Fellow Subsidiaries

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

Overseas Sales Administrative Fee to A Fellow Subsidiary

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

Management Fee to A Fellow Subsidiary

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

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

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

Interest on Lease Liabilities to A Fellow Subsidiary

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

Interest Expense on the Amount Due to the Immediate Holding Company

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

Related Parties Balances

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

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

FINANCIAL RISKS

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

KEY FINANCIAL RATIOS

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

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

Notes:

(1) Gross profit margin is calculated based on gross profit divided by revenue and multiplied by 100%.

(2) Net profit margin is calculated based on profit for the period divided by revenue and multiplied by 100%.

(3) Return on equity is calculated based on profit for the period divided by the arithmetic mean of the opening and closing balances of total equity in the relevant period and multiplied by 100%.

(4) Return on total assets is calculated based on profit for the period divided by the arithmetic mean of the opening and closing balances of total assets in the relevant period and multiplied by 100%.

(5) Current ratio is calculated based on total current assets divided by total current liabilities.

(6) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities.

(7) Gearing ratio is calculated based on bank loans divided by net assets.

(8) This four-month number is not meaningful as it is not comparable to the annual numbers.

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

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

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

Our current ratio remained stable at 0.35 as of March 31, 2018 and 2019 and increased significantly to 2.70 as of March 31, 2020. This increase was primarily due to a decrease of 90.3% in total current liabilities, in particular the significant decreases in amounts due to an intermediate holding company and amounts due to fellow subsidiaries due to the settlement of current accounts and loan capitalization made in preparation for the Spin-off. Our current ratio increased to 5.78 as of July 31, 2020, which was primarily due to (i) a decrease in total current liabilities, in particular the decreases in amounts due to the Jacobson Connected Persons due to the settlement made in preparation for the Spin-off; and (ii) an increase in total current assets mainly as a result of our receipt of the Pre-IPO Investments from the Strategic Investors.

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

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

DIVIDENDS

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

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

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

DISTRIBUTABLE RESERVES

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

UNAUDITED PRO FORMA FINANCIAL INFORMATION

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

RECENT DEVELOPMENTS

Sales Performance

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

Government Subsidies and Finance Costs

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

Operational Performance

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

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

NO MATERIAL ADVERSE CHANGE

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

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

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

FUTURE PLANS

See the section headed "Business — Our Business Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

Shareholders and prospective investors should note that the gross proceeds from the Public Offer, at the Offer Price of HK$1.2 per Offer Share, will amount to HK$53.6 million. Deducting the underwriting commissions and other listing expenses in connection with the Spin-Off, which are expected to amount to HK$43.0 million or 80.2% of the gross proceeds, we expect to receive minimal estimated net proceeds of HK$10.6 million, which will be applied in the following manner:

- approximately 47.2% of the net proceeds, or approximately HK5.0 million, to fund the portfolio development and brand management of our proprietary Chinese medicines. More particularly, the allocated proceeds will be applied towards (i) conducting market surveys and analysis on the landscape of target markets; (ii) conducting brand promotion and advertising activities to reinforce and further enhance the brand loyalty, market standing, profile, image and consumer stickiness of our proprietary Chinese medicine brands to support our product line extension initiatives; and (iii) uplifting our product development capabilities through organic growth or third-party collaborations. For further details, see the section headed "Business — Our Business Strategies — Further expand our portfolio through organic growth and mergers and acquisitions";

- approximately 43.4% of the net proceeds, or approximately HK$4.6 million, to fund our payments (upfront, in stages or otherwise) for obtaining additional distribution rights from third-party brand owners, as part of our strategy to grow our third-party brand product portfolio both organically through the expansion of our collaborations with existing third-party brand owners in terms of product and geographical representation, as well as sourcing from new third-party owners with synergetic products by entering into a distributorship or in-licensing agreement. For further details, see the section headed "Business — Our Business Strategies — Further expand our portfolio through organic growth and mergers and acquisitions"; and

- approximately 9.4% of the net proceeds, or approximately HK$1.0 million, to supplement our working capital and for general corporate purposes.

To the extent that the net proceeds from the Public Offer are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, we intend to deposit such net proceeds into interest-bearing bank accounts maintained with licensed banks or financial institutions only.

Shareholders and prospective investors should also note that given the minimal estimated net proceeds from the Public Offer, our net assets and cash flow position will not be enhanced to any material extent as a result of the Spin-off.

UNDERWRITERS

China Galaxy International Securities (Hong Kong) Co., Limited
Cinda International Capital Limited
Eddid Securities and Futures Limited
Fosun Hani Securities Limited
HeungKong Securities Limited
Maxa Capital Limited
Southwest Securities (HK) Brokerage Limited
TUS Corporate Finance Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is offering initially 44,686,000 Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions set out in this prospectus, the Application Forms and the Public Offer Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Shares in issue and to be offered as mentioned in this prospectus and (b) certain other conditions set out in the Public Offer Underwriting Agreement, the Underwriters have agreed severally (and not jointly or jointly and severally) to subscribe or procure subscribers for their respective applicable proportions of the Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions set out in this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

Grounds for Termination

If any of the events set out below occur at any time prior to 8:00 am on the Listing Date, the Sole Bookrunner (for itself and on behalf of the Underwriters) may, in their sole and absolute discretion be entitled by notice to the Company to terminate the Public Offer Underwriting Agreement by written notice to our Company with immediate effect if at any time prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

(i) any local, national, regional or international event or series of events or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak or escalations of epidemic including but not limited to SARS, H5N1, MERS, coronavirus (including COVID-19 or such related or mutated forms), strikes, labor dispute, lock-outs, fire, explosion, flooding, earthquake, storm, volcanic eruption, other natural disaster, civil commotion, riots, severe transport disruption, air crash, public disorder, political instability, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting directly or indirectly any of Hong Kong, the PRC, the Cayman Islands, the United States, the United Kingdom, or the European Union (or any member thereof), Japan, Singapore or any other jurisdiction relevant to our Group (collectively, the "**Relevant Jurisdictions**"); or

(ii) any new law or regulation or any change or development involving a prospective change in existing laws or regulations, or any change or development involving a prospective change in the interpretation or application thereof by any court or other Governmental Authority in or affecting any of the Relevant Jurisdictions; or

(iii) any change or development involving a prospective change or development, or any event or series of events resulting or likely to result in or representing, in local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions or equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, a change in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) or a change in the system under which the value of the Hong Kong dollar is linked to the United States dollar or revaluation of Hong Kong dollar or Renminbi against any foreign currencies or a change in any other currency exchange rates, in or affecting any of the Relevant Jurisdictions; or

(iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at the U.S. Federal or New York State level or by any other competent authority), London, Singapore, the PRC, the European Union (or any member thereof), Japan or any of the other Relevant Jurisdictions (declared by the relevant authorities) or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions; or

(v) the imposition of any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Singapore Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(vi) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

(vii) any change or development or event involving a prospective change or amendment in or affecting taxation or foreign exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies) in any of the Relevant Jurisdictions adversely affecting an investment in the Offer Shares; or

(viii) any adverse change or development or event involving any prospective adverse change or development in the assets, liabilities, profit, losses, earnings, results of operations, business, performance, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of our Group; or

(ix) any Director or senior management of our Company as named in this prospectus being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any government, political, regulatory body of any investigation or action against any Director in his capacity as such or an announcement by any governmental, political, regulatory body that it intends to take any such action; or

(x) any Director or senior management of our Company vacating his office; or

(xi) any Governmental Authority or a political or regulatory body or organization in any Relevant Jurisdiction commencing any investigation or take other action, or announcing an intention to investigate or take other action, against any member of our Group or any Director or any Controlling Shareholders; or

(xii) any litigation or claim being threatened or instigated against any member of our Group, the Controlling Shareholders or any Director; or

(xiii) any contravention by any member of our Group or any Director of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Listing Rules or other applicable laws and regulations; or

(xiv) non-compliance of this prospectus, the Application Forms and any other documents issued, given or used in connection with the contemplated offering and sale of the Offer Shares or otherwise in connection with the Public Offer or any aspect of the Public Offer with the Listing Rules or any other applicable laws and regulations; or

(xv) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus, the Application Forms, post hearing information pack or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC without the prior consent of the Sole Sponsor and the Sole Bookrunner (which consent not to be unreasonably withheld or delayed); or

(xvi) an order or a petition is presented for the winding up or liquidation of any member of our Group falling under the ambit of Rule 13.25(2) of the Listing Rules makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group;

(xvii) a valid demand by any creditor for repayment or payment of any of the indebtedness of any member of our Group or in respect of which that member of our Group is liable prior to its stated maturity, or any loss or damage sustained by that member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); and

(xviii) any change or prospective change or development which has the effect of materialization of any of the risks set out in the section headed "Risk Factors" in this prospectus,

which, in any such case individually or in the aggregate, in the "sole and absolute" opinion of the Sole Bookrunner (for itself and on behalf of the Underwriters) (1) is or will or is likely to have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Company or our Group as a whole or to any present or prospective shareholder of our Company in its capacity as such; or (2) has or will have or is likely to have a material adverse effect on the success or marketability of the Public Offer or the level of applications under the Public Offer; or (3) makes or will make or is likely to make it inadvisable or inexpedient or impracticable or incapable for any part of the Public Offer Underwriting Agreement, or for any part of the Public Offer or the Public Offer or the delivery of the Offered Shares to be performed or implemented or proceed as envisaged or to market the Public Offer in the manner contemplated by this prospectus; or (4) has or will or is likely to have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting the Public Offer and/or the Public Offer or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Application Forms or the press announcement in agreed form to be issued in connection with the Public Offer pursuant to the Listing Rules) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Public Offer or pursuant to the underwriting thereof; or

(b) there comes to the notice of the Sole Bookrunner after the date of the Public Offer Underwriting Agreement or it has reasonable cause to believe:

(i) any statement contained in any of this prospectus, the Application Forms and the press announcement in agreed form to be issued in connection with the Public Offer pursuant to the Listing Rules and/or in any notices, announcements, post hearing information pack, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Public Offer (including any supplement or amendment thereto) (but excluding information relating to the Sole Sponsor and the Sole Bookrunner or the Underwriters) was, when it was issued, or has become, untrue, incomplete, incorrect, inaccurate or misleading in any respect, or that any forecast, estimate, expression of opinion, intention or expectation expressed or contained in any of this prospectus, the Application Forms and the press announcement in agreed form to be issued in connection with the Public Offer pursuant to the Listing Rules and/or any notices, announcements, post hearing information pack, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Public Offer (including any supplement or amendment thereto) is not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions with reference to the facts and circumstances then subsisting; or

(ii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Public Offer with the Listing Rules or any other applicable law or regulation; or

(iii) any matter or event arising or has been discovered rendering or there coming to the notice of any of the Sole Sponsor and the Sole Bookrunner or the Underwriters any matter or event showing any of the representations, warranties and undertakings given by our Company, JBM Group BVI or Jacobson Pharma in the Public Offer Underwriting Agreement, is (or would when repeated be) untrue, incorrect or incomplete, or misleading or having been breached; or

(iv) any matter or event, act or omission which gives or is likely to give rise to any liability of our Company, JBM Group BVI or Jacobson Pharma pursuant to the indemnities given by our Company, JBM Group BVI and Jacobson Pharma or any of them under the Public Offer Underwriting Agreement; or

(v) there has been a breach of any of the representations, warranties, undertakings, obligations or provisions of either the Public Offer Underwriting Agreement by our Company and/or JBM Group BVI and Jacobson Pharma or it is (or would when repeated be) untrue, incorrect, incomplete in any material respect or misleading, provided however that where any of such representations, warranties, undertakings or provisions has been given on a materiality basis, then this termination right will be exercisable when such representation, warranty, undertaking or provision is (or would when repeated be) breached; or

(vi) any material adverse change or any development involving a prospective material adverse change, that is not or is not likely to be remedied by our Company prior to 8:00 a.m. on the Listing Date; or

(vii) any of the experts (other than the Sole Sponsor) specified in this prospectus has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(viii) our Company has withdrawn this prospectus, the Application Forms (and/or any other documents issued or used in connection with the Public Offer) or the Public Offer; or

(ix) approval by the Listing Committee of the listing of, and permission to deal in, the Shares in issue (including the Shares to be issued pursuant to the Public Offer, subject only to allotment and the despatch of share certificates in respect thereof, is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, canceled, qualified (other than by customary conditions), revoked or withheld; or

(x) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling the Offer Shares pursuant to the terms of the Public Offer; or

(xi) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in this prospectus, constitute a material omission from any of this prospectus, the Application Forms and/or in any notices, announcements, post hearing information pack, advertisements, communications or other documents (including any supplement or amendment thereto) issued or used by or on behalf of our Company in connection with the Public Offer.

Undertakings pursuant to the Public Offer Underwriting Agreement

(A) Undertakings by our Company

During the period commencing on the date of the Pubic Offer Underwriting Agreement and ending on, and including, the date that is six months from the Listing Date (the "**First Six-Month Period**"), our Company undertakes to each of the Sole Bookrunner, the Joint Lead Managers, the Underwriters and the Sole Sponsor not to, and to procure each subsidiary of our Company at Listing (the "**Subsidiaries at Listing**") not to without the prior written consent of the Sole Bookrunner (for itself and on behalf of the Underwriters), such consent not to be unreasonably withheld or delayed, and unless in compliance with the requirements of the Listing Rules:

(a) except for the issue, offer or sale of the Offer Shares by our Company pursuant to the Public Offer and under any of the circumstances as permitted under Rule 10.08 of the Listing Rules, offer, allot, issue, sell, accept subscription for, contract to allot, issue or sell, contract or agree to allot, issue or sell, mortgage (other than in the ordinary and usual course of business), charge (other than in the ordinary and usual course of business), pledge (other than in the ordinary and usual course of business), hypothecate, lend, assign, grant or sell any option, warrant, right or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or otherwise transfer or dispose of, or create an Encumbrance (as defined below) over (other than in the ordinary and usual course of business) or agree to transfer or dispose of or create an Encumbrance over (other than in the ordinary and usual course of business), either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any Shares or other securities of our Company, as applicable, or any interests in any of the foregoing (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares, or deposit any Shares or other securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts); or

(b) offer, sell, contract to sell, contract or agree to sell, mortgage (other than in the ordinary and usual course of business), charge (other than in the ordinary and usual course of business), pledge (other than in the ordinary and usual course of business), hypothecate, lend, assign, grant or sell any option, warrant, right or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or otherwise transfer or dispose of, or create an Encumbrance over (other than in the ordinary and usual course of business) or agree to transfer or dispose of or create an Encumbrance over (other than in the ordinary and usual course of business), either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any shares or other securities of such other Subsidiary at Listing, as applicable, or any interests in any of the foregoing (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any shares of such other Subsidiary at Listing), or deposit any shares or other securities of such other Subsidiary at Listing, as applicable, with a depositary in connection with the issue of depositary receipts); or

(c) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any Shares or other securities of our Company or any shares or other securities of such other Subsidiary at Listing, as applicable, or any interest therein (including, without limitation, any securities of which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other Subsidiary at Listing, as applicable); or

(d) enter into any transaction with the same economic effect as any transaction described in paragraphs (a), (b) or (c) above; or

(e) offer to or contract to or agree to announce, or publicly disclose that our Company will or may enter into any transaction described in paragraphs (a), (b) (c) or (d) above,

in each case, whether any of the transactions specified in paragraphs (a), (b), (c) or (d) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other Subsidiary at Listing, as applicable, or, in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-month Period). "**Encumbrance**" means any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third-party claim, right, interest or preference or any other encumbrance of any kind. In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), our Company enters into any of the transactions specified in paragraphs (a), (b), (c) or (d) above or offers to or agrees to or contracts to or announces, or publicly discloses, any intention to, enter into any such transactions, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Our Company has agreed and undertaken that it will not, effect any repurchase of the Shares, or agree to do so, which may reduce the holdings of the Shares held by the public (as defined in Rule 8.24 of the Listing Rules) to below 25% on or before the date falling one year after the Listing Date without first having obtained the prior written consent of the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Underwriters).

(B) Undertakings by Jacobson Pharma and JBM Group BVI

Each of Jacobson Pharma and JBM Group BVI has undertaken to each of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters to procure that, except pursuant to the Public Offer or the Jacobson Pharma Distribution and arrangements relating thereto, without the prior written consent of the Sole Sponsor and the Sole Bookrunner (on behalf of the Underwriters) and unless in compliance with the requirements of the Listing Rules, it will not, and will cause its affiliates, not to:

(i) at any time during the First Six-Month Period:

(a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares or other equity securities of our Company with a depositary in connection with the issue of depositary receipts, or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein in (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or

(c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other equity securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other equity securities will be completed within the First Six-Month Period and Second Six-Month Period); and

(ii) at any time during the Second Six-Month Period:

(a) enter into any of the transactions specified in (a),(b) or (c) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following such transaction, it will cease to be a controlling shareholder (as defined under the Listing Rules) of the Company;

(b) until the expiry of the Second Six-Month Period, in the event that any of the Controlling Shareholders enters into any of the transactions specified in (a),(b) or (c) above or offer to or agrees to or announce any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the equity securities of the Company; and

(iii) at any time after the date of Public Offer Underwriting Agreement up to and including the date falling 12 months from the Listing Date, it shall:

(a) if and when it pledges or charges any securities of the Company beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (the "**Banking Ordinance**")) for a bona fide commercial loan, immediately inform the Company and the Sole Bookrunner in writing of such pledge or charge together with the number of Shares or other securities of the Company so pledged or charged, and procure the Company to forward such information to the Sole Bookrunner as soon as reasonably practicable upon receipt of such information from the Controlling Shareholders; and

(b) if and when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or other securities of the Company will be disposed of, immediately inform the Company and the Sole Bookrunner in writing of such indications, and procure the Company to forward such information to the Sole Bookrunner as soon as reasonably practicable upon receipt of such information from the Controlling Shareholders.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by our Company

In accordance with Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that within six months from the Listing Date, no further Shares or securities convertible into shares of our Company (whether or not of a class already listed) shall be issued or form the subject of any agreement to such an issue (whether or not such issue of shares or securities will be completed within six months from the commencement of dealing), except for Shares or securities issued pursuant to the Public Offer or any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have undertaken to us and to the Stock Exchange, except pursuant to the Public Offer or the Jacobson Pharma Distribution and arrangements relating thereto, that they shall not and shall procure that the relevant registered holder(s) controlled by them shall not:

(a) in the First Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities or Shares of the Company in respect of which they are shown by this prospectus to be the beneficial owners (as defined in Rule 10.07(2) of the Listing Rules) (the "**Relevant Securities**"); or

(b) in the Second Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Securities if, immediately following such disposal or upon the exercise of such options, rights, interests or encumbrances, they as a group would cease to be our controlling shareholders (as defined in the Listing Rules).

In addition, in accordance with Note (3) of Rule 10.07(2) of the Listing Rules, our Controlling Shareholders have undertaken to us and to the Stock Exchange that, during the First Six-month Period and the Second Six-month Period, they shall:

(a) when any of them pledges or charges any of our securities beneficially owned by them in favor of any authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately informs us in writing of such pledge or charge together with the number of securities so pledged or charged; and

(b) when any of them receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of, immediately inform us in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters, if any, by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

Undertakings by Mr. Sum, Ms. Yang and certain of our Directors

(A) Undertaking by Mr. Sum

In addition to the undertaking provided by Mr. Sum, as one of our Controlling Shareholders, to the Stock Exchange and us pursuant to Rule 10.07 of the Listing Rules (the "**Rule 10.07 Undertaking**") (see further details in the section headed "— Undertakings to the Stock Exchange pursuant to the Listing Rules — (B) Undertakings by our Controlling Shareholders"), Mr. Sum has entered into a separate lock-up undertaking letter (the "**Mr. Sum Lock-Up Undertaking Letter**") in favor of the Sole Bookrunner (for itself and on behalf of the Underwriters). Notwithstanding the terms contained in the Mr. Sum Lock-Up Undertaking Letter, Mr. Sum shall continue to be subject to the Rule 10.07 Undertaking which in all circumstances shall prevail over the Mr. Sum Lock-Up Undertaking Letter.

Pursuant to the Mr. Sum Lock-Up Undertaking Letter, Mr. Sum agrees that, except pursuant to the Public Offer or the Jacobson Pharma Distribution and arrangements relating thereto, he will not, and will cause his affiliates not to:

(a) at any time during the period commencing on the date of this prospectus (i.e. January 26, 2021) and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"), dispose of any Relevant Shares or any interest in any company or entity holding or controlling (directly or indirectly) any Relevant Shares; and

(b) at any time during the six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**," together with the First Six-Month Period, the "**12-Month Period**"), dispose of any Relevant Shares or any interest in any company or entity holding or controlling (directly or indirectly) any Relevant Shares, if immediately following such transaction Mr. Sum (together with his affiliates) would cease to control 30% or more of the total voting rights of our Company.

For the purpose of the Mr. Sum Lock-Up Undertaking Letter, "**Relevant Shares**" means any and all Shares, as reclassified, redesignated and subdivided from the Shares as held by Mr. Sum and/or his affiliates on the date of this undertaking in the manner as set out in this prospectus as if the reclassification, redesignation and subdivision has been completed on the date of the Mr. Sum Lock-Up Undertaking Letter and any such other additional Shares obtained by Mr. Sum and/or his affiliates from the date of the Mr. Sum Lock-Up Undertaking Letter up to the Listing.

The restrictions set out in the Mr. Sum Lock-Up Undertaking Letter shall not apply to:

(a) any charge or pledge by Mr. Sum of the Relevant Shares during the 12-Month Period in favor of an authorized institution (as defined in the Banking Ordinance) for a bona fide commercial loan ("**Loan**");

(b) any Shares acquired in open market transactions after the completion of the Public Offer; or

(c) any transfers of the Relevant Shares to any of the entities wholly owned by Mr. Sum, provided that, prior to such transfer, such entity gives a written undertaking (addressed to and in favor of our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) in terms reasonably satisfactory to them and substantially the same as the Mr. Sum Lock-Up Undertaking Letter) agreeing to, and Mr. Sum undertakes to procure that such entity will, be bound by the undertaking.

(B) Undertaking by Ms. Yang

Ms. Yang has entered into a lock-up undertaking letter (the "**Ms. Yang Lock-Up Undertaking Letter**") in favor of the Sole Bookrunner (for itself and on behalf of the Underwriters). Pursuant to the Ms. Yang Lock-Up Undertaking Letter, Ms. Yang agrees that, she will not, and will cause her affiliates not to, at any time during the period commencing on the date of this prospectus (i.e January 26, 2021) and ending on the date which is six months from the Listing Date (the "**Six-Month Period**"), dispose of any Relevant Shares.

For the purpose of the Mr. Yang Lock-Up Undertaking Letter, "**Relevant Shares**" means any and all of the 30,000,000 Shares allotted and issued to Ms. Yang pursuant to the share purchase agreement dated July 27, 2020 entered into between Ms. Yang, Sampan and our Company (as further described in the section headed "History, Reorganization and Corporate Structure — Reorganization — Acquisition of Minority Interest in Orizen").

The restrictions set out in the Ms. Yang Lock-Up Undertaking Letter shall not apply to:

(a) any charge or pledge by Ms. Yang of the Relevant Shares during the Six-Month Period in favor of an authorized institution (as defined in the Banking Ordinance) for a Loan;

(b) any transfer of the Relevant Shares with the prior written consent of our Company and the Sole Bookrunner;

(c) any Shares acquired in open market transactions after the completion of the Public Offer; or

(d) any transfers of the Relevant Shares to any of the entities wholly owned by Ms. Yang, provided that, prior to such transfer, such entity gives a written undertaking (addressed to and in favor of our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) in terms reasonably satisfactory to them and substantially the same as the Ms. Yang Lock-Up Undertaking Letter) agreeing to, and Ms. Yang undertakes to procure that such entity will, be bound by the undertaking.

(C) Undertakings by certain of our Directors

Each of Mr. Chan Kam Chiu, Simon, Mr. Chu Ka Wing, Mr. Wong Yat Wai, Patrick, Mr. Yeung Kwok Chun, Henry and Mr. Yim Chun Leung (the "**Lock-up Directors**") has entered into a lock-up undertaking letter in favour of the Sole Bookrunner (for and on behalf of the Underwriters) (each a "**Director Lock-Up Undertaking Letter**," and together with the Mr. Sum Lock-Up Undertaking Letter and the Ms. Yang Lock-Up Undertaking Letter, the "**Lock-Up Undertaking Letters**"). Pursuant to the Director Lock-Up Undertaking Letters, each of the Lock-up Directors agrees that, he will not, and will cause his affiliates not to, at any time during the period commencing on the date of this prospectus (i.e January 26, 2021) and ending on the date which is two months from the Listing Date (the "**Two-Month Period**"), dispose of any Relevant Shares.

For the purpose of the Director Lock-Up Undertaking Letters, "**Relevant Shares**" means any and all Shares, as reclassified, redesignated and subdivided from the Shares as held by the relevant Lock-up Director on the date of the relevant Director Lock-Up Undertaking Letter in the manner as set out in this prospectus as if the reclassification, redesignation and subdivision has been completed on the date of the relevant Director Lock-Up Undertaking Letter and any such other additional Shares obtained by the relevant Lock-up Director from the date of the relevant Director Lock-Up Undertaking Letter up to the Listing.

The restrictions set out in each of the Director Lock-Up Undertaking Letters shall not apply to:

(a) any charge or pledge by a relevant Lock-up Director of his Relevant Shares during the Two-Month Period in favor of an authorized institution (as defined in the Banking Ordinance) for a Loan;

(b) any transfer of the Relevant Shares with the prior written consent of our Company and the Sole Bookrunner;

(c) any Shares acquired in open market transactions after the completion of the Public Offer; or

(d) any transfers of the Relevant Shares to any of the entities wholly owned by a relevant Lock-up Director, provided that, prior to such transfer, such entity gives a written undertaking (addressed to and in favor of our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) in terms reasonably satisfactory to them and substantially the same as the Director Lock-Up Undertaking Letters) agreeing to, and the relevant Lock-up Director undertakes to procure that such entity will, be bound by the undertaking.

For the purpose of the Lock-Up Undertaking Letters:

(a) "**affiliate**" means, in relation to an individual or entity, its holding company or subsidiary, or any subsidiary of its holding company or person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the individual or entity specified;

(b) "**control**" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, nomination right of board of directors, by contract, or otherwise;

(c) **"Encumbrance"** means any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third-party claim, right, interest or preference or any other encumbrance of any kind; and

(d) "**dispose of**" or "**Disposal**" means:

    (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Relevant Shares or other equity securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Relevant Shares), or deposit any Relevant Shares or other equity securities of our Company with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Relevant Shares or other securities of our Company or any interest therein in (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Relevant Shares); or

(iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (i) or (ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraph (i), (ii) or (iii) above is to be settled by delivery of Relevant Shares or other equity securities of our Company or in cash or otherwise (whether or not the issue of Relevant Shares or other equity securities will be completed within the entirety of the relevant lock-up period).

Underwriters' interests in our Company

Save as disclosed in this prospectus and save for its obligations under the Public Offer Underwriting Agreement, as of the Latest Practicable Date, none of the Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of our Group or had any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or purchase, or nominate persons to subscribe for or purchase, any Shares or any securities in our Company or any member of our Group.

Following the completion of the Public Offer, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Public Offer Underwriting Agreement.

Commissions and Expenses

The Underwriters will receive an underwriting commission of 3.2% of the aggregate Offer Price of all the Offer Shares. In addition, our Company may pay to the Sole Bookrunner for its account a discretionary bonus of 1.0% of the aggregate Offer Price for each Offer Share.

At an Offer Price of HK$1.20 per Share, the aggregate commissions and fees, together with listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by our Company relating to the Public Offer and the Jacobson Pharma Distribution are estimated to be approximately HK$43.0 million in total.

Indemnity

Each of our Company and our Controlling Shareholders has agreed to indemnify the Underwriters for certain losses that they may suffer, including certain losses arising from the performance of their obligations under the Public Offer Underwriting Agreement and any breach by our Company and/or any of our Controlling Shareholders of the Public Offer Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Public Offer (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE PUBLIC OFFER

This prospectus is published in connection with the Public Offer. 44,686,000 Offer Shares will initially be made available under the Public Offer in Hong Kong.

The Offer Shares will represent approximately 5.0% of the total Shares in issue immediately following the completion of the Spin-off. References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Public Offer is subject to the conditions as set out in the section headed "— Conditions of the Public Offer" below.

Allocation

Allocation of the Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Offer Shares, and those applicants who are not successful in the ballot may not receive any Offer Shares.

For allocation purposes only, the total number of the Offer Shares available under the Public Offer is to be divided into two pools, pool A (being an aggregate of 22,344,000 Shares) and pool B (being an aggregate of 22,342,000 Shares). The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) or less. The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Offer Shares in one (but not both) of the pools are undersubscribed, such unsubscribed Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for the Offer Shares means the price payable on application therefore. Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 22,342,000 Offer Shares, being approximately 50% of the 44,686,000 Offer Shares initially available under the Public Offer, are liable to be rejected.

Applications

The listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Public Offer are required to pay, on application, the Offer Price of HK$1.20 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. Further details are set out below in the section headed "How to Apply for the Offer Shares" in this prospectus.

Potential adjustments to the number of Offer Shares and/or the Offer Price

The Offer Price will be HK$1.20 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer.

The Sole Bookrunner, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective investors, and with the consent of the Company, reduce the number of Offer Shares offered in the Public Offer and/or the Offer Price below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of the Company (**www.jbmhealthcare.com.hk**) (1) such supplemental offering documents as may be required by laws of any governmental authority to be published in such manner as the relevant laws or governmental authority may require as soon as practicable following the decision to make the change, and (2) notices of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Public Offer and/or the revised Offer Price will be final and conclusive. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Public Offer and/or the Offer Price may not be made until the day which is the last day for lodging applications under the Public Offer. Such notice will also include confirmation or revision, as appropriate, of the Public Offer statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction.

In the absence of any such notice so published, the number of Offer Shares will not be reduced and the final Offer Price will under no circumstances be below the Offer Price as stated in this prospectus.

The level of applications in the Public Offer, the basis of allocations of the Offer Shares and the results of allocation in the Public Offer are expected to be announced on Thursday, February 4, 2021 through a variety of channels in the manner described in the section headed "How to Apply for the Offer Shares — D. Publication of Results."

If the number of Offer Shares and/or the indicative Offer Price is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for Offer Shares will be conditional on:

(i) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Public Offer and such approval not having been withdrawn; and

(ii) the obligations of the Underwriters under the Public Offer Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with its terms,

in each case on or before the dates and times specified in the Public Offer Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the conditions above are not satisfied on or before 8:00 a.m. (Hong Kong time) on the Listing Date, the Public Offer will not proceed and will lapse.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Public Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by the Company on the website of the Stock Exchange (**www.hkexnews.hk**) and the website of the Company (**www.jbmhealthcare.com.hk**) on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for the Offer Shares." In the meantime, all application monies will be held in separate bank account(s) with the receiving banker or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares are expected to be issued on Thursday, February 4, 2021 but will only become valid certificates of title at 8:00 a.m. on Friday, February 5, 2021 provided that (i) the Public Offer has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Grounds for Termination" in this prospectus has not been exercised at or before that time.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, our Shares and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING IN THE SHARES

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, February 5, 2021, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, February 5, 2021. The Shares will be traded in board lots of 2,000 Shares each and the stock code of the Shares will be 2161.

A. APPLICATIONS FOR THE OFFER SHARES

1. HOW TO APPLY

To apply for the Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**) or at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Bookrunner, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States (within the meaning of Regulation S), and are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and
- are not a legal or natural person of the PRC.

If you apply for the Offer Shares online through the **HK eIPO White Form** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Company and the Sole Bookrunner, as the Company's agent, may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** service for the Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Offer Shares if:

- you are an existing beneficial owner of shares in the Company and/or any of its subsidiaries;
- you are a Director or chief executive of the Company and/or any of the Company's subsidiaries; or
- you are a connected person of the Company or will become a connected person of the Company immediately upon completion of the Public Offer; or
- you are a close associate of any of the above persons.

3. APPLYING FOR THE OFFER SHARES

Which Application Channel to Use

For Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **IPO App** or the designated website at **www.hkeipo.hk**.

For the Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, January 26, 2021 until 12:00 noon on Friday, January 29, 2021 from:

(i) any of the following offices of the Underwriters:

Underwriter	Address
China Galaxy International Securities (Hong Kong) Co., Limited	20/F, Wing On Centre 111 Connaught Road Central Sheung Wan Hong Kong
Cinda International Capital Limited	45/F, Cosco Tower 183 Queen's Road Central Hong Kong
Eddid Securities and Futures Limited	23/F, YF Life Tower 33 Lockhart Road Wan Chai, Hong Kong
Fosun Hani Securities Limited	Suite 2101-2105 21/F, Champion Tower 3 Garden Road Central, Hong Kong
HeungKong Securities Limited	Suite 622, Ocean Centre Harbour City Tsim Sha Tsui Hong Kong
Maxa Capital Limited	Unit 1908, Harbour Center 25 Harbour Road Wanchai, Hong Kong
Southwest Securities (HK) Brokerage Limited	40/F, Lee Garden One 33 Hysan Avenue Causeway Bay, Hong Kong
TUS Corporate Finance Limited	15/F, Shanghai Commercial Bank Tower 12 Queen's Road Central Central, Hong Kong

(ii) or any of the following branches of the receiving bank of the Public Offer:

Bank of China (Hong Kong) Limited

	Branch Name	Address
Hong Kong Island	Wan Chai (Wu Chung House) Branch	213 Queen's Road East, Wan Chai, Hong Kong
Kowloon	Tsim Sha Tsui Branch	24-28 Carnarvon Road, Tsim Sha Tsui, Kowloon
New Territories	City One Sha Tin Branch	Shop Nos.24-25, G/F, Fortune City One Plus, No.2 Ngan Shing Street, Sha Tin, New Territories
	Kwai Cheong Road Branch	40 Kwai Cheong Road, Kwai Chung, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, January 26, 2021 until 12:00 noon on Friday, January 29, 2021 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — JBM PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- **Tuesday, January 26, 2021 — 9:00 a.m. to 4:00 p.m.**
- **Wednesday, January 27, 2021 — 9:00 a.m. to 4:00 p.m.**
- **Thursday, January 28, 2021 — 9:00 a.m. to 4:00 p.m.**
- **Friday, January 29, 2021 — 9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, January 29, 2021, the last application day, or such later time as described in the paragraph headed "— C. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" below.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the **WHITE** or **YELLOW** Application Form carefully; otherwise, your application may be rejected.

By submitting a **WHITE** or **YELLOW** Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Sole Bookrunner (or its agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus, in the Application Form, in the **IPO App** and on the designated website under the **HK eIPO White Form** service and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have relied only on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Public Offer set out in this prospectus;

(vi) agree that none of the Sole Sponsor, the Sole Bookrunner, the Underwriters, and any of their respective directors, officers, employees, partners, agents, advisers, or representatives or any other parties involved in the Public Offer (collectively, the "**Relevant Persons**"), the Company and the **HK eIPO White Form** Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) agree to disclose to the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(viii) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company nor the Relevant Persons will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus, in the Application Form, in the **IPO App** and on the designated website under the **HK eIPO White Form** service;

(ix) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(x) agree that your application will be governed by the laws of Hong Kong;

(xi) represent, warrant and undertake that (i) you understand that the Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xii) warrant that the information you have provided is true and accurate;

(xiii) agree to accept the Offer Shares applied for or any lesser number allocated to you under the application;

(xiv) authorize the Company to place your name(s) or the name of HKSCC Nominees on the Company's register of members as the holder(s) of any Offer Shares allocated to you, and the Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instruction and/or any refund check(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund check(s) in person;

(xv) understand that the Company and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to allocate any of the Offer Shares to you and that you may be prosecuted for making a false declaration;

(xvi) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service by you or by any one as your agent or by any other person; and

(xvii) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Forms

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed "— A. Applications for the Offer Shares — 2. Who Can Apply" above, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the **IPO App** or the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are in the **IPO App** or on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the **IPO App** or the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application through the **HK eIPO White Form** service in the **IPO App** or on the designated website at **www.hkeipo.hk** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Tuesday, January 26, 2021 until 11:30 a.m. on Friday, January 29, 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, January 29, 2021, the last day for applications, or such later time under the paragraph headed "— C. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" below.

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Bookrunner, the Underwriters and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Offer Shares applied for or any lesser number allocated;
- (if the electronic application instruction is given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to allocate any of the Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize the Company to place HKSCC Nominees name on the Company's register of members as the holder of the Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company or the Relevant Persons is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose to the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which they may require about you;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Company, and to

become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Offer Shares to any person on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the results of the Public Offer;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for the Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Offer Shares. Instructions for more than 2,000 Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[(1)]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- **Tuesday, January 26, 2021 — 9:00 a.m. to 8:30 p.m.**
- **Wednesday, January 27, 2021 — 8:00 a.m. to 8:30 p.m.**
- **Thursday, January 28, 2021 — 8:00 a.m. to 8:30 p.m.**
- **Friday, January 29, 2021 — 8:00 a.m. to 12:00 noon**

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, January 26, 2021 until 12:00 noon on Friday, January 29, 2021 (24 hours daily, except on Friday, January 29, 2021, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, January 29, 2021, the last day for applications or such later time as described in the paragraph headed "— C. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" below.

Note:

(1) These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The application for the Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic applications. The Company, the Relevant Persons and the **HK eIPO White Form** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allocated any Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, January 29, 2021, the last day for applications, or such later time as described in the paragraph headed "— C. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" below.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions).

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

B. HOW MUCH ARE THE OFFER SHARES

The Offer Price is HK$1.20 per Offer Share. You must pay the Offer Price, brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005% in full upon application for the Offer Shares under the terms set out in the Application Forms. This means that for one board lot of 2,000 Offer Shares, you will pay HK$2,424.18.

The Application Forms have tables showing the exact amount payable for the number of Offer Shares that may be applied for.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 2,000 Offer Shares. Each application or electronic application instruction in respect of more than 2,000 Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified in the **IPO App** or on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

C. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, January 29, 2021. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings and/or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, January 29, 2021 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

D. PUBLICATION OF RESULTS

The Company expects to announce the level of applications in the Public Offer and the basis of allocations of the Offer Shares on Thursday, February 4, 2021 on the Company's website at **www.jbmhealthcare.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.jbmhealthcare.com.hk** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Thursday, February 4, 2021;

- from the "IPO Results" function in the **IPO App** or the designated results of allocations website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, February 4, 2021 to 12:00 midnight on Wednesday, February 10, 2021;
- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, February 4, 2021 to Tuesday, February 9, 2021 on a business day; and
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, February 4, 2021 to Saturday, February 6, 2021 at the receiving bank's designated branches referred to above.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Offer Shares if the conditions of the Public Offer are satisfied and the Public Offer is not otherwise terminated. Further details are contained in the section headed "Structure of the Public Offer."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

E. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED OFFER SHARES

You should note the following situations in which the Offer Shares will not be allocated to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Sole Bookrunner, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allocation of the Offer Shares is void:

The allocation of Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website at **www.hkeipo.hk**;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;
- the Public Offer Underwriting Agreement does not become unconditional or are terminated;
- the Company or the Sole Bookrunner believes or believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 22,342,000 Offer Shares, being approximately 50% of the Offer Shares offered under the Public Offer.

F. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Public Offer as set out in the section headed "Structure of the Public Offer — Conditions of the Public Offer" are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the check or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, February 4, 2021.

G. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Offer Shares allocated to you (for applicants on **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund check(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for all or the surplus application monies for the Offer Shares, wholly or partially unsuccessfully applied for.

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check(s).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund checks and Share certificates are expected to be posted on or before Thursday, February 4, 2021. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, February 5, 2021, provided that the Public Offer has become unconditional in all respects at or before that time and the right of termination described in the section headed "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Offer Shares on a **WHITE** Application Form and have provided all information required by your Application Form, you may collect your refund check(s) and/or Share certificate(s) (where applicable) from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, February 4, 2021 or such other place or date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must provide a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund check(s) and/or Share certificate(s) (where applicable) personally within the time specified for collection, it/they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Offer Shares on a **WHITE** Application Form, your refund check(s) and/or Share certificate(s) (where applicable) will be sent to the address specified in your Application Form on or before Thursday, February 4, 2021, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 or more Offer Shares and have provided all information required by your Application Form, please follow the same instructions as described above for collection of your refund check(s). If you have applied for less than 1,000,000 Offer Shares, your refund check(s) will be sent to the address specified in the Application Form on or before Thursday, February 4, 2021, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, February 4, 2021 or in the event of a contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

  For Offer Shares credited to your designated CCASS Participant stock account (other than a CCASS Investor Participant), you can check the number of Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

  The Company expects to publish the results of CCASS Investor Participants applications together with the results of the Public Offer on Thursday, February 4, 2021 in the manner described in the paragraph headed "— D. Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, February 4, 2021 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System. HKSCC will also make available to you an activity statement showing the number of Offer Shares credited to your CCASS Investor Participant stock account.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 or more Offer Shares through the **HK eIPO White Form** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, February 4, 2021, or such other date as notified by the Company as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund checks.

If you do not collect your Share certificate(s) personally within the time specified for collection, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Offer Shares through the **HK eIPO White Form** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, February 4, 2021 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund check(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Offer Shares

- For the purposes of allocating the Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, February 4, 2021, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Public Offer in the manner specified in the paragraph headed "— D. Publication of Results" above on Thursday, February 4, 2021. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, February 4, 2021 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of the Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, February 4, 2021. Immediately following the credit of the Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, February 4, 2021.

H. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

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.

KPMG

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 (Unaudited)	HK$'000
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						
Item that may be reclassified subsequently to profit or loss, net of nil tax:						
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, 2018	As of March 31, 2019	As of March 31, 2020	As of July 31, 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
		802,963	929,494	1,098,118	1,104,773
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
		322,757	363,148	270,118	322,000
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
		916,653	1,031,764	99,860	55,732
Net current (liabilities)/assets		(593,896)	(668,616)	170,258	266,268
Total assets less current liabilities		209,067	260,878	1,268,376	1,371,041
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
		87,877	82,768	553,672	484,033
NET ASSETS		121,190	178,110	714,704	887,008
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		97,169	147,640	657,330	848,247
Non-controlling interests		24,021	30,470	57,374	38,761
TOTAL EQUITY		121,190	178,110	714,704	887,008

Statements of financial position of the Company
(Expressed in Hong Kong dollars)

	Note	As of March 31, 2020	As of July 31, 2020
		HK$'000	HK$'000
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
		1,140,209	1,252,677
Current liability			
Amounts due to subsidiaries	20(D)	172,207	162,503
Net current assets		968,002	1,090,174
Total assets less current liability		968,010	1,090,182
Non-current liability			
Amount due to the immediate holding company	20(C)	440,000	372,933
NET ASSETS		528,010	717,249
CAPITAL AND RESERVES			
Share capital	24	10	8,490
Reserves	25	528,000	708,759
TOTAL EQUITY		528,010	717,249

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							
	Share capital	Share premium	Capital reserve	Exchange reserve	Retained earnings	Total	Non-controlling interests	Total equity
	(note 24) HK$'000	(note 25(A)) HK$'000	(note 25(B)) HK$'000	(note 25(C)) HK$'000	HK$'000	HK$'000	HK$'000	HK$'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, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Four months ended July 31, 2019	Four months ended July 31, 2020
		HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
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		82,304	56,914	38,285	19,600	27,435
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		(60,318)	(55,897)	43,402	(15,057)	(17,464)
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		(15,135)	(6,699)	(59,320)	(8,770)	92,542
Net increase/(decrease) in cash and cash equivalents		6,851	(5,682)	22,367	(4,227)	102,513
Cash and cash equivalents at the beginning of the year/period		49,875	56,856	50,962	50,962	72,790
Effect of foreign exchange rate changes		130	(212)	(539)	2	418
Cash and cash equivalents at the end of the year/period	19(A)	56,856	50,962	72,790	46,737	175,721

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 transitionary 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:

			Proportion of ownership interest			Statutory financial statements	
Name of company	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital/shares	held by the Company	held by a subsidiary	Principal activities	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: held by the Company	Proportion of ownership interest: held by a subsidiary	Principal activities	Statutory financial statements: Statutory auditors	Statutory financial statements: 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: held by the Company	Proportion of ownership interest: held by a subsidiary	Principal activities	Statutory financial statements: Statutory auditors	Statutory financial statements: 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,	
	2018	2019	2020	2019	2020	2018	2019	2020	2019	2020	2018	2019	2020	2019	2020	2018	2019	2020	2019	2020
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'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

(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 (Unaudited)	HK$'000
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 (Unaudited)	HK$'000
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
	802,201	928,152	1,060,722	1,067,157

(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** (Unaudited)	**HK$'000**
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
	2,402	4,240	8,087	2,746	3,937

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.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	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
(A) Finance costs					
Interest on bank loans (note 19(C))	753	426	45	45	–
Interest expense on amounts due to a fellow subsidiary (note 19(C))	230	389	305	103	–
Interest expense on the amount due to the immediate holding company (note 19(C))	–	–	–	–	2,933
Interest on lease liabilities to (note 19(C))					
– third parties	292	293	292	75	102
– a fellow subsidiary	458	282	203	77	38
	750	575	495	152	140
	1,733	1,390	845	300	3,073

	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
(B) Staff costs					
Salaries, wages and other benefits	44,089	46,554	64,995	18,393	24,268
Contributions to defined contribution retirement schemes	1,640	1,832	2,301	655	907
	45,729	48,386	67,296	19,048	25,175

The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of pension benefits associated with those schemes beyond the annual contributions described above.

	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
(C) Other items					
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 (Unaudited)	HK$'000
Current tax					
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	7,975	10,581	9,669	866	2,935

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	–	–	–	–	–
	–	1,117	–	13	1,130

	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	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	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	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 (Unaudited)**	**HK\$'000**
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
	4,051	4,020	3,880	1,265	1,388

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 (Unaudited)**	**Number of individuals**
HK\$Nil – HK\$1,000,000	2	2	–	3	3
HK\$1,000,001 – HK\$1,500,000	2	2	3	–	–

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	3,399	135,967	58,755	57,236	740	4,245	260,342
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	1,093	37,341	20,893	18,522	519	2,309	80,677
Net book value:							
At March 31, 2020	2,306	98,626	37,862	38,714	221	1,936	179,665

	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	3,399	123,361	58,878	59,010	740	4,039	249,427
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	1,124	26,355	22,492	19,331	552	2,272	72,126
Net book value:							
At July 31, 2020	2,275	97,006	36,386	39,679	188	1,767	177,301

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:

		As at March 31,			As of July 31,
	Note	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
		20,558	17,208	17,175	16,420

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 (Unaudited)	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
	7,744	8,127	10,447	2,703	3,770
Interest on lease liabilities (note 5(A)) .	750	575	495	152	140

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 . . .	204,347	1,220	260,670	33,098	113,278	-	612,613
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 . . .	–	–	–	2,446	11,012	–	13,458
Net book value:							
At March 31, 2018 . . .	204,347	1,220	260,670	30,652	102,266	–	599,155

	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: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
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:

				Proportion of ownership interest			
Name of joint ventures	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
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 (Unaudited)**	**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

		As of March 31,			As of July 31,
	Note	**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
	37,939	64,081	72,118	62,763

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	–	–	36,041	36,041

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:

		Year ended March 31,			Four months ended July 31,	
	Note	2018	2019	2020	2019	2020
		HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	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		93,983	64,319	56,046	19,623	29,550

(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	(1,127)	(9,187)	–	(3,907)	(14,221)
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	–	–	(67,067)	3,155	(63,912)
At July 31, 2020	–	1,637	372,933	14,788	389,358

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

		As of March 31,			As of July 31,
	Note	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
	7,265	14,519	7,438	7,199

(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 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	Present value of the minimum lease payments	Total 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	20,585	56,563	–	(1,696)	75,452
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	19,677	55,181	(429)	(890)	73,539
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	18,508	89,012	(429)	(1,289)	105,802
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	18,450	88,176	(429)	(2,145)	104,052

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
	75,452	73,539	105,802	104,052

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)	–
	12,878	7,444	6,235	5,864	–	32,421	31,502

	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)	–
	4,733	7,905	4,918	3,177	–	20,733	20,156

	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
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 dollars	Euros	Renminbi	United States dollars	Euros	Renminbi	United States dollars	Euros	Renminbi	United States dollars	Euros	Renminbi
	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 (Unaudited)	HK$'000
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 July 31,
		2018	2019	2020	2020
		HK$'000	HK$'000	HK$'000	HK$'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, 2018	Year ended March 31, 2019	Period from 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, 2018	As of March 31, 2019	As of August 6, 2019
		HK$'000	HK$'000	HK$'000
Non-current asset				
Property, plant and equipment	(7)	3,832	3,928	2,645
		3,832	3,928	2,645
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
		35,095	44,431	28,156
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
		16,626	19,541	12,437
Net current assets		18,469	24,890	15,719
Total assets less current liabilities		22,301	28,818	18,364
Non-current liability				
Lease liabilities	(13)	1,638	791	232
		1,638	791	232
NET ASSETS		20,663	28,027	18,132
CAPITAL AND RESERVES				
Share capital	(14)(i)	–*	–*	–*
Reserves		20,663	28,027	18,132
TOTAL EQUITY		20,663	28,027	18,132

* 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, 2018	Year ended March 31, 2019	Period from April 1, 2019 to August 6, 2019
		HK$'000	HK$'000	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, 2018	Year ended March 31, 2019	Period from April 1, 2019 to August 6, 2019
	HK$'000	HK$'000	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, 2018	Year ended March 31, 2019	Period from 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, 2018	Year ended March 31, 2019	Period from 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, 2018	Year ended March 31, 2019	Period from 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, 2018	Year ended March 31, 2019	Period from 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, 2018	Year ended March 31, 2019	Period from 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, 2018	Year ended March 31, 2019	Period from 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, 2018	Year ended March 31, 2019	Period from 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 August 6,
	2018	2019	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 April 1, 2019 to August 6, 2019
	2018	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:

				Proportion of ownership interest			
Company name	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	effective interest	Held by Orizen	Held by a subsidiary	Principal activities
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 August 6,
	2018	2019	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 August 6,
	2018	2019	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 August 6,
	2018	**2019**	**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
	7,334	8,067	8,896

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

	As of March 31,		As of August 6,
	2018	**2019**	**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
	7,334	8,067	8,896

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

(i) Cash and cash equivalents comprise:

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

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

		Year ended March 31,		Period from April 1, 2019 to August 6,
	Note	**2018**	**2019**	**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		22,560	35,323	2,735

(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 August 6,
	2018	2019	2019
	HK$'000	HK$'000	HK$'000
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 August 6,
	2018	2019	2019
	HK$'000	HK$'000	HK$'000
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 August 6,
	2018	2019	2019
	HK$'000	HK$'000	HK$'000
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	No. of shares	Amount	No. of shares	Amount
		HK$'000		HK$'000		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, *Covid-19-related rent concessions*	June 1, 2020
Amendments to HKFRS 3, *Reference to the conceptual framework*	January 1, 2022
Amendments to HKAS 16, *Property, plant and equipment: proceeds before intended Use*	January 1, 2022
Amendments to HKAS 37, *Onerous contracts – cost of fulfilling a contract*	January 1, 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	January 1, 2022
HKFRS 17, *Insurance contracts*	January 1, 2023
Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	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.

The information set forth in this appendix does not form part of the Accountants' Report from KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Public Offer on the consolidated net tangible liabilities of our Group attributable to equity shareholders of the Company as of July 31, 2020 as if the Public Offer had taken place on that date. The unaudited pro forma statement of adjusted net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the financial position of the Group had the Public Offer been completed as of July 31, 2020 or at any future date.

	Consolidated net tangible liabilities attributable to equity shareholders of the Company as of July 31, 2020	Estimated net proceeds from the Public Offer	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share
	(Note 1)	(Note 2)		(Note 3)
	HK$'000	HK$'000	HK$'000	HK$
Based on an Offer Price of HK$1.20 per share	(16,274)	22,135	5,861	0.01

Notes:

1. The consolidated net tangible liabilities attributable to the equity shareholders of the Company as of July 31, 2020 have been based on the consolidated net assets attributable to equity shareholders of the Company of HK$848,247,000 as of July 31, 2020 extracted from the Accountants' Report set out in Appendix I to this prospectus, after deduction of intangible assets of HK$864,521,000.

2. The estimated net proceeds from the Public Offer are based on (i) the proceeds of HK$53.6 million from the issuance of 44,686,000 Shares at the Offer Price of HK$1.20 per Share and (ii) listing expenses of HK$31.5 million (excluding listing expenses of HK$11.5 million which was accounted for in the consolidated statements of profit or loss and other comprehensive income during the Track Record Period), and do not take into account any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates granted to issue or repurchase Shares.

3. The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 893,686,000 Shares in issue assuming the Public Offer has been completed on July 31, 2020, without taking into account any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates granted to issue or repurchase Shares.

4. No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to July 31, 2020.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose of incorporation in this prospectus.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

January 26, 2021

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF JBM (HEALTHCARE) LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of JBM (Healthcare) Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as of July 31, 2020 and related notes as set out in Part A of Appendix II to the prospectus dated January 26, 2021 (the "**Prospectus**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "**Public Offer**") on the Group's financial position as of July 31, 2020 as if the Public Offer had taken place at July 31, 2020. As part of this process, information about the Group's financial position as of July 31, 2020 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as of July 31, 2020 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group, and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on January 7, 2020 under the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Act**"). The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on January 18, 2021 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so canceled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange (the "**Listing Rules**") that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the Listing Rules that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognize any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favor of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Act and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the Listing Rules and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all traveling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalize all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorisation shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the Listing Rules.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aaa) the declaration and sanctioning of dividends;

(bbb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(ccc) the election of directors in place of those retiring;

(ddd) the appointment of auditors and other officers; and

(eee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the Listing Rules, the Company may send to such persons summarized financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarized financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by check or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such check or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the check or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company. No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account." At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancelation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as canceled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Act of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from January 10, 2020.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorizing civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorized by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 of the Cayman Islands ("**ES Act**") that came into force on January 1, 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the section headed "Documents Available For Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

We were incorporated in the Cayman Islands under Cayman Companies Act as an exempted company with limited liability on January 7, 2020. We have established a principal place of business in Hong Kong at Unit 2303-07, 23/F, Tower 1, Millennium City 1, 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on February 26, 2020. Wong Yat Wai, Patrick has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As we were incorporated in the Cayman Islands, our operations are subject to the Cayman Companies Act and to the Memorandum and Articles of Association. A summary of the certain aspects of the Cayman Islands company law and a summary of certain provisions of the Memorandum and Articles of Association is set out in "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix III to this prospectus.

2. Changes in the Share Capital of Our Company

As of the date of incorporation of our Company, our Company had an authorized share capital of HK$50,000,000, divided into 5,000,000,000 shares of HK$0.01 each.

The following changes in the share capital of our Company have taken place since the date of incorporation of our Company up to the date of this prospectus:

- On January 7, 2020, one Share was issued to the initial subscriber, which was transferred to JBM Group BVI on the same day at par value. Another 99,999 Shares were allotted and issued to JBM Group BVI on the same day at par value.
- On March 31, 2020, 900,000 Shares were allotted and issued to JBM Group BVI.
- On July 24, 2020, 721,000,000 Shares were allotted and issued to JBM Group BVI in preparation for the Jacobson Pharma Distribution at par value. For further details, see the section headed "History, Reorganization and Corporate Structure — Reorganization — Capitalization Issue."
- On July 30, 2020, 30,000,000 Shares were allotted and issued to Ms. Yang pursuant to a sale and purchase agreement dated July 27, 2020 entered into between Ms. Yang, Sampan and our Company under which Ms. Yang agreed to sell 10.0% of the total issued share capital of Orizen to Sampan at the consideration of HK$30,000,000, which was settled by the allotment and issuance of 30,000,000 Shares to Ms. Yang at HK$1.00 each. On the same day, 42,000,000, 35,000,000 and 20,000,000 Shares were allotted and issued to each of New Heritage Healthcare Limited, Gold Century Assets Limited and Profit Cape Limited pursuant to the Pre-IPO Investments, respectively. For further details, see the sections headed "History, Reorganization and Corporate Structure — Reorganization — Acquisition of minority interest in Orizen" and "History, Reorganization and Corporate Structure — Pre-IPO Investments."

Save as disclosed above and in this prospectus, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this prospectus.

3. Resolutions in Writing of the Shareholders of Our Company Passed on January 18, 2021

Pursuant to the written resolutions passed by the Shareholders on January 18, 2021:

(a) our Company approved and conditionally adopted the Memorandum and Articles of Association which will come into effect upon the Listing;

(b) conditional on (1) the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and (2) the obligations of the Underwriters under the Public Offer Underwriting Agreement becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions(s) thereunder by the Sole Bookrunner (for and on behalf of the Underwriters)) and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Public Offer Underwriting Agreement:

(i) the Public Offer was approved and our Directors were authorized to allot and issue the new Shares pursuant to the Public Offer;

(ii) the proposed Listing was approved and our Directors were authorized to implement the Listing;

(iii) subject to the "lock-up" provisions under Rule 10.08 of the Listing Rules, a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate number of Shares allotted or agreed to be allotted by our Directors other than pursuant to (a) a rights issue, (b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, or (c) the exercise of any subscription or conversion rights attaching to any warrants or securities which are convertible into Shares or in issue prior to the date of passing the relevant resolution or (d) a specific authority granted by the Shareholders in general meeting or (e) the Public Offer, shall not exceed the aggregate of (1) 20% of the total number of issued Shares immediately following the completion of the Public Offer (subject to adjustment in the case of subdivision and consolidation of Shares) and (2) the total number of Shares repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in paragraph (iv) below (subject to adjustment in the case of subdivision and consolidation of Shares), such mandate to remain in effect during the period from the passing of the resolution until the earliest of the conclusion of our next annual general meeting, the end of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting and the date on which the resolution is varied or revoked by an ordinary resolution of the Shareholders in a general meeting (the "**Applicable Period**");

(iv) a general unconditional mandate was granted to our Directors to exercise all powers of our Company, subject to and in accordance with all applicable laws and the Listing Rules, to repurchase Shares listed on the Stock Exchange or on any other stock exchange and which is recognized by the SFC and the Stock Exchange for this purpose, provided that the aggregate number of Shares to be repurchased shall not exceed 10% of the total number of issued Shares immediately following completion of the Public Offer (subject to adjustment in the case of subdivision and consolidation of Shares), such mandate to remain in effect during the Applicable Period; and

(v) the general unconditional mandate mentioned in paragraph (iii) above be extended by the addition to the aggregate number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of a number representing the aggregate number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (iv) above, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the Company's share capital in issue immediately following completion of the Public Offer.

4. Our Corporate Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the Listing. For further details, see the section headed "History, Reorganization and Corporate Structure."

5. Changes in the Share Capital of Our Subsidiaries

Our subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I. Save for the subsidiaries mentioned in the Accountants' Report, we do not have any other subsidiaries.

The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

- On May 22, 2019, Elegant Point Inc. was incorporated with 50,000 authorized shares of US$1.00 each. On June 12, 2019, 750 shares and 250 shares were allotted and issued to each of Europharm Holdings (BVI) Limited and Europharm Investment Limited at US$1.00 each, respectively.
- On June 18, 2019, Jolly Harvest Inc. was incorporated with 50,000 authorized shares of US$1.00 each. On the same date, 1,000 shares were issued to Jacobson Pharma Group (BVI) Limited at US$1.00 each.
- On July 4, 2019, JBM Management Limited was incorporated with 10,000 shares of HK$1.00 each, which were issued to Jacobson Pharma Group (BVI) Limited on the same date.
- On July 26, 2019, Golden Man Corporation was incorporated with 50,000 authorized shares of US$1.00 each. On the same date, 1,000 shares were allotted and issued to Kind Hearts Limited at US$1.00 each.
- On September 12, 2019, Europharm TCM was incorporated with 10,000 shares of HK$1.00 each, which were issued to Elegant Point Inc. on the same date.
- On January 15, 2020, JBM BVI was incorporated with 50,000 authorized shares of US$1.00 each. On the same date, 1,000 shares were allotted and issued to our Company at US$1.00 each.
- On January 22, 2020, Perfect Green Inc. was incorporated with 50,000 authorized shares of US$1.00 each. On the same date, 1,000 shares were allotted and issued to JBM BVI at US$1.00 each.
- On January 23, 2020, JBM Treasury Limited was incorporated with 10,000 shares of HK$1.00 each, which were issued to JBM BVI on the same date.
- On January 23, 2020, JBM Investments Limited was incorporated with 10,000 shares of HK$1.00 each, which were issued to JBM BVI on the same date.

- On February 12, 2020, JBM PCM was incorporated with 50,000 authorized shares of US$1.00 each. On February 13, 2020, 1,000 shares were allotted and issued to JBM BVI at US$1.00 each.
- On February 25, 2020, JBM Research Laboratory Limited was incorporated with 10,000 shares of HK$1.00 each, which were issued to Perfect Green Inc. on the same date.
- On April 17, 2020, JBM (China) Limited was incorporated with 50,000 authorized shares of US$1.00 each. On April 20, 2020, 1,000 shares were allotted and issued to JBM BVI at US$1.00 each.

Save as disclosed above, there have been no alterations in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchases of Our Own Securities

(a) Provisions of the Listing Rules

The Listing Rules permit companies listed on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our then Shareholders on January 18, 2021, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the total number of issued Shares immediately following the completion of the Public Offer, such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by the Cayman Companies Act or by our Articles of Association or any other applicable laws of the Cayman Islands to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) Source of Funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchases by our Company may be made out of the profits of our Company, out of the share premium account of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Companies Act, out of capital.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be canceled and destroyed.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities at any time after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Connected Persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates and a connected person is prohibited from knowingly selling his securities to the company.

(b) Reasons for Repurchases

Our Directors believe that the ability to repurchase Shares is in the interests of our Company and the Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by our Directors at the relevant time having regard to the circumstances then pertaining. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of Repurchases

In repurchasing securities, our Company may only apply funds lawfully available for such purpose in accordance with its Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. There could be a material adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, our Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the repurchase mandate, on the basis of 893,686,000 Shares in issue immediately following the completion of the Public Offer and could accordingly result in up to approximately 89,368,600 Shares being repurchased by our Company during the period prior to:

(i) the conclusion of our next annual general meeting; or

(ii) the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or

(iii) the date when the repurchase mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates has any present intention to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

No core connected person of our Company has notified our Company that he or she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

Any repurchase of Shares that results in the number of Shares held by the public falling below 25% of the total number of Shares in issue, being the relevant minimum prescribed percentage as required by the Stock Exchange, could only be implemented if the Stock Exchange agreed to waive the requirement regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the repurchase mandate to such an extent that, under the circumstances, there would be insufficient public float as prescribed under the Listing Rules.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business of our Group) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

a) the sale and purchase agreement in relation to 10% shares in Orizen Capital Limited dated July 27, 2020 entered into between Ms. Yang Hua (楊樺) as seller, Sampan Development Limited as purchaser and our Company, pursuant to which Ms. Yang Hua (楊樺) agreed to sell 10 shares of par value USD1.00 per share in Orizen Capital Limited to Sampan Development Limited at a consideration of HK$30,000,000 to be settled by way of issuance of 30,000,000 shares of our Company by our Company at the issue price of HK$1.00 per share to Ms. Yang Hua (楊樺);

b) the subscription agreement relating to our Company dated July 27, 2020 entered into between New Heritage Healthcare Limited, JBM Group (BVI) Limited and our Company, pursuant to which New Heritage Healthcare Limited agreed to subscribe for and our Company agreed to issue 42,000,000 Shares at a consideration of HK$42,000,000;

c) the subscription agreement relating to our Company dated July 27, 2020 entered into between Gold Century Assets Limited, JBM Group (BVI) Limited and our Company, pursuant to which Gold Century Assets Limited agreed to subscribe for and our Company agreed to issue 35,000,000 Shares at a consideration of HK$35,000,000;

d) the subscription agreement relating to our Company dated July 27, 2020 entered into between Profit Cape Limited, JBM Group (BVI) Limited and our Company, pursuant to which Profit Cape Limited agreed to subscribe for and our Company agreed to issue 20,000,000 Shares at a consideration of HK$20,000,000;

e) the Deed of Indemnity; and

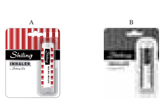
f) the Public Offer Underwriting Agreement.

2. Intellectual Property Rights of Our Group

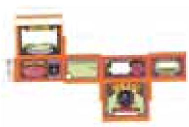
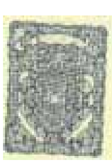
As of the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.

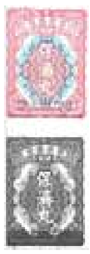
(a) Trade marks

As of the Latest Practicable Date, we have registered the following trade marks which are material to our business:

No.	Trade mark	Type and class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
1	Shiling Oil 十靈油	5	Ling Chi Medicine	Hong Kong	19590140	September 24, 1958	September 24, 2027
2		5	Ling Chi Medicine	Hong Kong	19670124	February 1, 1965	February 1, 2024
3	Shiling Oil	3, 5	Ling Chi Medicine	Hong Kong	304973608	June 27, 2019	June 26, 2029
4	Shiling INHALER	3, 5	Ling Chi Medicine	Hong Kong	304973635	June 27, 2019	June 26, 2029
5		3, 5	Ling Chi Medicine	Hong Kong	304973653	June 27, 2019	June 26, 2029

No.	Trade mark	Type and class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
6		35, 42, 44	Jacobson Medical	Hong Kong	199910292	October 22, 1997	October 22, 2024
7		5 (series)	Jacobson Medical	Hong Kong	302962800	April 14, 2014	April 13, 2024
8		5 (series)	Jacobson Medical	Hong Kong	303300551	February 10, 2015	February 9, 2025
9		3 (series)	Jacobson Medical	Hong Kong	303521222	August 31, 2015	August 30, 2025
10		3 (series)	Jacobson Medical	Hong Kong	303521231	August 31, 2015	August 30, 2025
11		5 (series)	Jacobson Medical	Hong Kong	304631841	August 13, 2018	August 12, 2028
12	A GO SMART B GO SMART	35 (series)	Jacobson Medical	Hong Kong	304894831	April 17, 2019	April 16, 2029
13		5	HCK Medicine	Hong Kong	19720152	September 5, 1970	September 5, 2025
14		5	HCK Medicine	Hong Kong	19720833	September 5, 1970	September 5, 2025
15	公濟何	5	HCK Medicine	Hong Kong	300870787	May 15, 2007	May 14, 2027
16		35	HCK Medicine	Hong Kong	303814029	June 21, 2016	June 20, 2026
17	公濟何 杜鵑止咳露	5	HCK Medicine	Hong Kong	304104710	April 10, 2017	April 9, 2027
18		5	Ho Chai Kung Medicine Manufactory Limited	Macau	N/9272	June 11, 2002	June 11, 2023
19		5	Ho Chai Kung Medicine Manufactory Limited	Macau	N/28946	January 3, 2008	January 3, 2022
20	公濟何	5	Ho Chai Kung Medicine Manufactory Limited	Macau	N/28947	January 3, 2008	January 3, 2022

No.	Trade mark	Type and class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
21	何济公	5	Ho Chai Kung Medicine Manufactory Limited	Macau	N/81762	June 12, 2014	June 12, 2021
22		5	Ho Chai Kung Medicine Manufactory Limited	Macau	N/82077	January 26, 2015	January 26, 2022
23		5	Ho Chai Kung Medicine Manufactory Limited	Taiwan	01633961	April 1, 2014	March 31, 2024
24	公濟何	5	Ho Chai Kung Medicine Manufactory Limited	Taiwan	01633962	April 1, 2014	March 31, 2024
25		5	Ho Chai Kung Medicine Manufactory Limited	Taiwan	01633963	April 1, 2014	March 31, 2024
26	李众勝堂	5	Quinwood Limited	China	1122315	October 28, 1997	October 27, 2027
27		5	Quinwood Limited	China	4368304	February 14, 2008	February 13, 2028
28		5	Quinwood Limited	China	4368282	September 7, 2009	September 6, 2029
29		5	Quinwood Limited	China	6574659	April 7, 2010	April 6, 2030
30	保濟丸	5	Quinwood Limited	Hong Kong	19390370	September 15, 1939	September 15, 2029
31		5	Quinwood Limited	Hong Kong	19711684	January 12, 1971	January 12, 2026

No.	Trade mark	Type and class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
32	李衆勝堂	5, 30	Quinwood Limited	Hong Kong	300063945	August 15, 2003	August 14, 2023
33		5, 30 (series)	Quinwood Limited	Hong Kong	300128907	December 17, 2003	December 16, 2023
34		5, 30 (series)	Quinwood Limited	Hong Kong	300128899	December 17, 2003	December 16, 2023
35	保濟丸 保濟丸	5, 30 (series)	Quinwood Limited	Hong Kong	301700658	August 27, 2010	August 26, 2030
36	保濟丸 PO CHAI PILLS	5	Quinwood Limited	Indonesia	159413/ 391615	April 18, 2008	October 31, 2027
37	保濟丸	5	Quinwood Limited	Macau	2384-M	September 10, 1991	September 10, 2022
38	PO CHAI YUEN 保濟丸	5	Quinwood Limited	Malaysia	92000861	February 13, 1992	February 13, 2029
39	保濟丸	5	Quinwood Limited	Singapore	758/ 23876D	September 6, 2003	September 6, 2023
40	保 濟	1	Quinwood Limited	Taiwan	329831	July 1, 1986	June 30, 2026

No.	Trade mark	Type and class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
41		5	Quinwood Limited	Thailand	838793	March 9, 2012	March 8, 2022
42		5	Quinwood Limited	USA	1840260	June 21, 1994	June 21, 2024
43	保濟丸	5	Quinwood Limited	USA	78/496723 (3282365)	August 21, 2007	August 21, 2027
44	Dr.Freeman Dr.Freeman	5 (series)	JBM Management Limited	Hong Kong	304821444	January 31, 2019	January 30, 2029
45	牌中紅 中	5	Jetstar	Hong Kong	300833319	March 16, 2007	March 15, 2027
46	活絡神	5	Jetstar	Hong Kong	300834255	March 19, 2007	March 18, 2027
47		5	Jetstar	Hong Kong	300916344	July 20, 2007	July 19, 2027
48		5	Jetstar	Hong Kong	300916353	July 20, 2007	July 19, 2027
49		5	Jetstar	Hong Kong	300916362	July 20, 2007	July 19, 2027
50	唐太宗 TONG TAI CHUNG	5	Jetstar	China	1146702	January 28, 1998	January 27, 2028
51	唐人之寶 TONG REN ZHI BAO	5	Jetstar	China	1136717	December 21, 1997	December 20, 2027
52	唐太宗 TONG TAI CHUNG	5	Jetstar	Macau	N / 10831 (253)	April 9, 2003	April 9, 2024

No.	Trade mark	Type and class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
53		5	Singmalay	Macau	N / 57703 (713)	November 8, 2011	November 8, 2025
54	鎮痛霸 KONSODONA	5	Singmalay	Macau	N / 57704 (796)	November 8, 2011	November 8, 2025
55	星馬南洋 SINGMALAY	5	Singmalay	Macau	N / 57705 (104)	November 8, 2011	November 8, 2025
56	黃夫子	5	Jetstar	Macau	N / 106921 (750)	May 27, 2016	May 27, 2023
57		5	Jetstar	Macau	N / 106922 (684)	October 13, 2016	October 13, 2023
58	唐太宗 TONG TAI CHUNG	5	Jetstar	Hong Kong	1995B10099	December 29, 1993	December 29, 2024
59	黃夫子	5	Jetstar	Hong Kong	301616580	May 18, 2010	May 17, 2030
60	星馬南洋 SINGMALAY	5	Singmalay	Hong Kong	301936594	June 3, 2011	June 2, 2021
61	唐太宗	5	Jetstar	Hong Kong	304924422	May 15, 2019	May 14, 2029
62		5	Jetstar	Hong Kong	304924404	May 15, 2019	May 14, 2029
63	健倍苗苗(保健)有限公司	5,30,35,38, 39,42,44	JBM Management Limited	Hong Kong	305165118	January 9, 2020	January 8, 2030
64	保濟丸	5	Quinwood Limited	Thailand	KOR163551	May 25, 2020	May 24, 2030
65	李眾勝堂	5, 30	Quinwood Limited	Thailand	KOR369007	October 6, 2020	October 5, 2030

As of the Latest Practicable Date, we have applied for the registration of the following trade marks:

No.	Trade mark	Type and class	Name of applicant	Place of application	Application number	Application date
1	JBM (Healthcare) Limited	5,30,35,38, 39,42,44	JBM Management Limited	Hong Kong	305165091	January 9, 2020
2		5, 30, 35, 38, 39, 42, 44	JBM Management Limited	Hong Kong	305388995	September 11, 2020
3		5, 30, 35, 38, 39, 42, 44	JBM Management Limited	Hong Kong	305389002	September 11, 2020
4		5, 30, 35, 38, 39, 42, 44	JBM Management Limited	Hong Kong	305402790	September 25, 2020

(b) Domain Names

As of the Latest Practicable Date, we have registered the following domain names:

No.	Domain name	Registrant	Registration date	Expiry date
1.	JBMHEALTHCARE.COM.HK	Pharmason Management Limited	February 3, 2020	February 2, 2025

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, designs, intellectual or industrial property rights which were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests of the Directors and the Chief Executive of our Company

Immediately following the completion of the Spin-off assuming that the total number of Jacobson Pharma Shares in issue remains unchanged from the Latest Practicable Date to the Record Date, the interests or short positions of our Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed, will be as follows:

(i) Interest in our Company

		Immediately following the completion of the Spin-off(1)	
Name of Director	**Nature of interest**	**Number of Shares held(2)**	**Approximate percentage of shareholding interest**
Mr. Sum(3)	Interest in controlled corporation Settlor of trust Beneficial Owner	622,594,375	69.67%
Yim Chun Leung	Beneficial Owner	3,727,500	0.42%
Wong Yat Wai, Patrick	Beneficial Owner	204,500	0.02%
Dr. Chu Ka Wing	Beneficial Owner	113,750	0.01%
Yeung Kwok Chun, Harry	Beneficial Owner	125,000	0.01%
Chan Kam Chiu, Simon	Beneficial Owner	12,500	0.001%

Notes:

(1) Assuming that the total number of Jacobson Pharma Shares in issue remains unchanged from the Latest Practicable Date to the Record Date.

(2) All interests stated are long positions.

(3) Jacobson Pharma is owned as to approximately 43.98%, 14.8% and 0.1% by Kingshill, Queenshill and (in his personal capacity) Mr. Sum, respectively. Each of Lincoln's Hill and Kingshill is wholly-owned by Trust Co under The Kingshill Trust, a discretionary trust established by Mr. Sum (as the settlor) with Mr. Sum and his family members as the discretionary beneficiaries. Trust Co is in turn wholly-owned by UBS Trustees (B.V.I.) Limited (the trustee of The Kingshill Trust) through its nominee, UBS Nominees Limited. Queenshill is wholly-owned by Mr. Sum. By virtue of the SFO, Mr. Sum is deemed to be interested in the Shares in which Jacobson Pharma, Lincoln's Hill and Queenshill are interested.

(b) Interests of the Substantial Shareholders

Save as disclosed in the section headed "Substantial Shareholders," immediately following the completion of the Spin-off assuming that the total number of Jacobson Pharma Shares in issue remains unchanged from the Latest Practicable Date to the Record Date, our Directors or chief executive are not aware of any other person (other than a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions

2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

(c) Interests in Other Members of our Group

As of the Latest Practicable Date, our Directors are not aware of any other persons (excluding us) who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

2. Directors' Service Contracts and Letters of Appointment

Each of our executive Directors has entered into a service contract with our Company on September 22, 2020 and we have issued letters of appointment to each of our non-executive Directors and each of our independent non-executive Directors. The service contracts with each of our executive Directors and the letters of appointment with each of our non-executive Directors are for an initial fixed term of three years commencing from September 22, 2020. The letters of appointment with each of our independent non-executive Directors are for an initial fixed term of three years. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of our Directors has entered, or has proposed to enter, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors' Remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, allowances and other benefits in kind) incurred for our Directors in connection with their services rendered to our Group for the years ended March 31, 2018, 2019 and 2020 and for the four months ended July 31, 2020 was HK$1.1 million, HK$1.5 million and HK$5.4 million and HK$1.4 million, respectively.

Our independent non-executive Directors have been appointed for a term of three years. Our Company intends to pay a director's fee of HK$180,000 per annum to each of the independent non-executive Directors. Save for the director's fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding his office as an independent non-executive Director.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors for the financial year ending March 31, 2021 to be approximately HK$4.2 million.

There was no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three financial years immediately preceding the issue of this prospectus.

For further details of the terms of the above service contracts, see the section headed "2. Directors' Service Contracts and Letters of Appointment" above.

4. Directors' Competing Interests

Save as disclosed in the section headed "Relationship with Jacobson Pharma," none of our Directors are interested in any business apart from the business of our Group which competes or is likely to compete, directly or indirectly, with the business of our Group.

5. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange;

(b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(c) none of our Directors nor any of the persons listed in the section headed "— E. Other Information — 5. Qualification of Experts" below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) none of our Directors nor any of the persons listed in the section headed "— E. Other Information — 5. Qualification of Experts" below is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group as a whole;

(e) save in connection with Public Offer Underwriting Agreement, none of the persons listed in the section headed "— E. Other Information — 5. Qualification of Experts" below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

(f) none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and

(g) none of our Directors, their respective close associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company's five largest customers and five largest suppliers.

D. SHARE AWARD SCHEME

The following is a summary of the principal terms of the Share Award Scheme conditionally adopted by the Board on January 18, 2021 (the "**Adoption Date**") effective from the Listing Date. The Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules.

1. Purpose

The purpose of the Share Award Scheme is to recognize and reward the contribution of certain eligible person(s) ("**Eligible Persons**") for our growth and development and to provide them with incentives in order to retain them for our continual operation, development and long-term growth and to attract suitable personnel for our further development.

2. Administration

The Share Award Scheme shall be subject to the administration of the award committee of the Board (the "**Award Committee**") in accordance with the rules of the Share Award Scheme (the "**Scheme Rules**"). The decision of the Award Committee in respect to any matter arising in relation to the Share Award Scheme shall be final, conclusive and binding.

3. Duration

Subject to any early termination of the Share Award Scheme in accordance with the Scheme Rules, the Share Award Scheme shall be valid and effective for a period of ten (10) years commencing from the Adoption Date.

4. Eligible Persons

Pursuant to the Scheme Rules, the eligibility of any Eligible Persons to an award under the Share Award Scheme ("**Award**") shall be determined by the Award Committee from time to time on the basis of the Award Committee's opinion as to his/her contribution and/or future contribution to our development and growth.

5. Scheme Limit

The maximum number of Shares which may be purchased or subscribed for by the trustee of the Share Award Scheme (the "**Trustee**") in any financial year of our Company may be fixed by the Board, but in any event such purchase or subscription shall not result in the Trustee holding at any time more than five (5) percent of the total issued Shares of our Company.

In addition, unless approved by the Board, the Award Committee shall not grant any Awarded Shares ("**Awarded Shares**") to any selected participant ("**Selected Participant**") if the granting of such Awarded Shares would result in the total number of Shares vested or to be vested in the relevant Selected Participant during any 12 month period exceeding 1% of the total issued Shares of our Company (save and except that any grant of Awarded Shares to an independent non-executive director of our Company should not result in the total number of Shares vested or to be vested in that person (under this Share Award Scheme or otherwise) during any 12 month period exceeding 0.1% of the total issued Shares of our Company).

6. Operation and Vesting

Pursuant to the Scheme Rules, the Award Committee may at any time pay to the Trustee such contribution by our Group in the form of cash for the purpose of purchasing or subscription for Shares constituting the shares pool. The annual amount which may be paid to the Trustee for this purpose shall not exceed 10% of the net profits of our Company in the audited consolidated accounts of the Company for the preceding financial year but such amount may be varied subject to approval of the Board.

Upon the Award Committee giving a notice ("**Award Notice**") to the Trustee, the Trustee shall set aside the appropriate number of Awarded Shares out of the Shares held by the Trustee. The Award Committee shall notify the Selected Participant in writing of the Award by way of a notice of grant ("**Grant Notice**") once the Trustee has notified the Award Committee that the Awarded Shares have been set aside in accordance with the Scheme Rules.

The Trustee shall hold the Awarded Shares and any distributions derived in respect of the Awarded Shares (if any) during the vesting period on trust for the Selected Participant such that the Selected Participant shall only have a contingent interest in the Awarded Shares and any other distributions derived in respect of the Awarded Shares (if any) subject to the vesting of Awarded Shares and the relevant other distributions (if any) in the Selected Participant in accordance with the Scheme Rules.

Subject to the Scheme Rules and fulfillment by a Selected Participant of certain terms and conditions which may be specified in the Grant Notice, the Trustee shall transfer to and vest in the Selected Participant the legal and beneficial ownership of the Awarded Shares and the relevant other distributions (if any) to which such Selected Participant is entitled under the relevant Award as soon as practicable on or after the vesting date to the extent that the Awarded Shares and the relevant other distributions (if any) are vested pursuant to the Scheme Rules and there is no total lapse or partial lapse of the Award.

7. Restrictions

No Award shall be granted and no instruction by the Award Committee to the Trustee to acquire Shares for the Share Award Scheme shall be made pursuant to the Scheme Rules: (a) where any Director is in possession of unpublished inside information; (b) during the period preceding the publication of financial results in which our Directors are prohibited from dealing in Shares as prescribed by the model code under the Listing Rules.

Any Award to an Eligible Person who is a Connected Person shall not be granted during the periods or times in which our Directors are prohibited from dealing in Shares as prescribed by the Listing Rules.

8. Lapse of an Award

In the event of a total lapse, the Award shall automatically lapse forthwith and all the Awarded Shares and the relevant other distributions (if any) shall not vest on the relevant vesting date but shall become returned shares and residual cash (as the case may be) in accordance with the Share Award Scheme.

In the event of a partial lapse, the relevant part of an Award made to such Selected Participant shall automatically lapse forthwith and the relevant unvested Awarded Shares and the relevant other distributions (if any) shall not vest on the relevant vesting date but shall become the returned shares and residual cash (as the case may be).

In respect of a selected participant who, at any time prior to a vesting date ceases to be an Eligible Person by reason of (i) death; or (ii) retirement of the selected participant at his normal retirement date or earlier by agreement with our Group or by virtue of any statutory requirement (other than by way of dismissal on grounds of dishonesty or misconduct), the selected participant (or his legal personal representative(s), as the case may be) shall be vested with all of the selected participant's Awarded Shares and the relevant other distributions (if any) (subject to the terms and conditions as set out in the relevant notice of grant and that the Award Committee has been satisfied with the fulfillment of such conditions at its absolute discretion) in accordance with the Scheme Rules.

The residual cash, if any, may be applied to (i) settle the fees, costs and expenses of the trust; (ii) purchase or subscribe for additional Shares which will constitute Shares in the pool of Shares held by the Trustee pursuant to the direction of the Award Committee; or (iii) subscribe for any rights attached to the Awarded Shares in accordance with the Scheme Rules.

9. Voting Rights

The Trustee may not exercise any voting rights in respect of any Shares held under trust.

10. Alteration

The Share Award Scheme may be altered in any respect by a resolution of the Board provided that prior written notice is given to the Trustee and no such amendment shall operate to affect adversely any subsisting rights of any Selected Participant.

E. OTHER INFORMATION

1. Estate Duty and Tax Indemnity

Jacobson Pharma has entered into the Deed of Indemnity whereby Jacobson Pharma has given indemnities in connection with, among other things, any liability for estate duty under the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong which might be incurred by any member of our Group on or before the Listing Date, and other taxation (including all fines, penalties, costs, charges, expenses and interests relating to taxation) which may be suffered by any member of our Group in respect of, among other things, any income, profits or gains earned, accrued or received on or before the Listing Date.

2. Litigation

As of the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its business, financial condition or results of operations.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Public Offer. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The fees payable to the Sole Sponsor is HK$6.50 million in connection with its services as sponsor for the Listing and are payable by our Company.

4. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since July 31, 2020 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

5. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this prospectus:

Name	Qualification
China Galaxy International Securities (Hong Kong) Co., Limited	Licensed corporation for conducting type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
Commerce & Finance Law Offices	Legal advisors to our Company as to PRC laws
Frost & Sullivan	Industry consultant
Cherry Qili Xu	Barrister-at-Law
Conyers Dill & Pearman	Legal advisors to our Company as to Cayman Islands laws

6. Consents of Experts

Each of the experts as referred to in "— E. Other Information — 5. Qualification of Experts" above has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

7. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Public Offer and the related transactions described in this prospectus.

8. Preliminary Expenses

The preliminary expenses incurred by our Company were approximately HK$17,000 and were payable by us.

9. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Miscellaneous

(a) Save as disclosed in this prospectus:

(i) within the two years immediately preceding the date of this prospectus, neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) within the 24 months immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;

(iv) within the two years immediately preceding the date of this prospectus, no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;

(v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

(vi) our Company has no outstanding convertible debt securities or debentures; and

(vii) there is no arrangement under which future dividends are waived or agreed to be waived.

(b) Save as disclosed in this prospectus, none of the persons named in the section headed "— E. Other Information — 6. Consents of Experts" above is interested beneficially or otherwise in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group.

(c) The branch register of members of our Company will be maintained in Hong Kong by its Hong Kong Share Registrar, Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's Hong Kong Share Registrar or the branch registrar of members of our Company maintained in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS.

(d) Our Directors confirm that:

(i) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus; and

(ii) our Company has no outstanding convertible debt securities or debentures.

(e) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(f) The English version of this prospectus shall prevail over the Chinese version.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) the written consents referred to in "Statutory and General Information — E. Other Information — 6. Consents of Experts" in Appendix IV to this prospectus; and

(c) a copy of each of the material contracts referred to in "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Norton Rose Fulbright Hong Kong at 38/F Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and Articles of Association of our Company;

(b) the Accountants' Report from KPMG, the text of which is set forth in Appendix I to this prospectus;

(c) the report on the unaudited pro forma financial information of our Group from KPMG, the text of which is set forth in Appendix II to this prospectus;

(d) the audited consolidated financial statements of our Group for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020;

(e) the notes of advice issued by Cherry Qili Xu, barrister-at-law, in respect of certain Hong Kong law matters in relation to our Group's business operations;

(f) the letter of advice issued by Conyers Dill & Pearman, our legal advisors as to Cayman Islands law, summarizing the constitution of our Company and certain aspects of the Cayman Islands company law set forth in Appendix III to this prospectus;

(g) the written consents referred to in "Statutory and General Information — E. Other Information — 6. Consents of Experts" in Appendix IV to this prospectus;

(h) the material contracts referred to in "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix IV to this prospectus;

(i) the service contracts and letters of appointment referred to in "Statutory and General Information — C. Further Information About Our Directors and Substantial Shareholders — 2. Directors' Service Contracts and Letters of Appointment" in Appendix IV to this prospectus;

(j) the terms of the Share Award Scheme;

(k) the Frost & Sullivan Report; and

(l) the Cayman Companies Act.

JBM (HEALTHCARE) LIMITED
健倍苗苗(保健)有限公司