

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Jacobson Pharma Corporation Limited

雅各臣科研製藥有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

Stock Code : 2633

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF 70% OF EQUITY INTERESTS IN HONG NING HONG LIMITED

THE AGREEMENT

The Board is pleased to announce that on 13 March 2017 (after trading hours of the Stock Exchange), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor and the Guarantor, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares representing 70% of the entire equity interests in the Target Company at an aggregate consideration of HK\$56,000,000.

LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to notification and announcement requirements but exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

Completion is subject to fulfilment (or if applicable, waiver) of the conditions as set out in the section headed "Conditions precedent" of this announcement. As Completion may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

The Board is pleased to announce that on 13 March 2017 (after trading hours of the Stock Exchange), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor and the Guarantor, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares and the Guarantor agreed to guarantee the performance by the Vendor of its obligations thereunder. The principal terms of the Agreement are set out below.

THE AGREEMENT

Date: 13 March 2017 (after trading hours of the Stock Exchange)

Parties:

- (1) Common Wealth Inc., as the Purchaser
- (2) Win Pacific Glory Limited, as the Vendor
- (3) Ever Yield Corporation, as the Guarantor

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, each of the Vendor, the Guarantor and their respective ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

Pursuant to the Agreement, the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Shares, representing 70% equity interests in the Target Company. As at the date of this announcement, the Target Company holds the entire equity interests of the HK Subsidiary, a company incorporated in Hong Kong with limited liability. Immediately after Completion, the entire equity interests of the Target Company will be owned as to 70% by the Purchaser and 30% by the Guarantor. The Target Company and the HK subsidiary will become the indirect non-wholly owned subsidiaries of the Company upon Completion.

Consideration

The Consideration payable for the sale and purchase of the Sale Shares is HK\$56,000,000, and had been paid or shall be paid (as the case may be) by the Purchaser in the following manner:

- (a) HK\$3,000,000 had been paid to the sole shareholder of the Vendor upon the signing of the Letter of Intent as refundable earnest money and as part of the Consideration;
- (b) HK\$2,600,000 shall be paid to the Vendor or its nominee by way of cash upon signing of the Agreement; and
- (c) HK\$50,400,000 being the remaining balance of the Consideration shall be paid to the Vendor or its nominee by way of cash upon Completion.

The Consideration for the Acquisition was determined after arm's length negotiations with reference to, among other things, (i) the future prospect and development of the retail and wholesale of Chinese medicine and pharmaceutical business of the Target Group; and (ii) the Annual Guaranteed Profits as set out in the section headed "Profit guarantee".

The Consideration will be funded by the internal resources of the Company and/or bank borrowings.

Conditions precedent

Completion is subject to, among others, the following conditions precedent being fulfilled or waived (as the case may be):

- (i) all requisite consents, authorizations and approvals (or, as the case may be, the relevant waiver) in connection with the entering into and performance of the terms of the Agreement having been obtained by the respective parties to the Agreement;
- (ii) the Warranties remaining true, accurate and complete in all respects and not misleading in any respect as at Completion;
- (iii) the Purchaser being reasonably satisfied that there has been no material adverse change to the business and operation of the Target Group as at Completion;
- (iv) the HK Subsidiary having such net asset value (in term of inventory and/or cash) of not less than HK\$25,000,000 based on the stocktake and cash count carried out by the Purchaser one day before the Completion Date or such other date to be agreed between the parties to the Agreement;
- (v) all pharmaceutical and Chinese medicine retail and wholesale licenses held by the HK Subsidiary (i.e. wholesale dealer license, wholesaler license in proprietary Chinese medicines, wholesaler license in Chinese herbal medicines, retailer license in Chinese herbal medicines and license for listed sellers of poisons) having remained valid and in full force and effect and not being revoked or cancelled by relevant organization or regulatory authority and no circumstances or events that may result in the revocation and/or cancellation of such licenses have occurred up to Completion; and
- (vi) the Purchaser being reasonably satisfied with its due diligence on the Target Group.

Completion

The Completion date shall be on 3 April 2017 or the third Business Day on which the conditions precedents are being fulfilled or waived (whichever is earlier) or such other date as the parties under the Agreement may agree in writing.

Profit guarantee

Pursuant to the Agreement, the Vendor and the Guarantor irrevocably and unconditionally warrant and guarantee to the Purchaser that the 2018 Net Profit and 2019 Net Profit shall each be no less than HK\$8,000,000 (each the "**Annual Guaranteed Profit**").

In the event that any of the 2018 Net Profit and 2019 Net Profit is less than the Annual Guaranteed Profit, the Vendor and the Guarantor shall severally and jointly pay the shortfall amount to the Purchaser on a dollar to dollar basis and the maximum aggregate shortfall amount which may be paid by the Vendor and the Guarantor shall be capped at HK\$5,000,000.

The shortfall amount shall be payable by the Vendor and the Guarantor to the Purchaser within seven (7) days after the issue of the relevant audited report of the HK subsidiary for the corresponding financial year.

INFORMATION OF THE VENDOR AND THE GUARANTOR

Each of the Vendor and the Guarantor is an investment holding company incorporated in the British Virgin Islands with limited liability. As at the date of this announcement, the Vendor and the Guarantor own as to 70% and 30% equity interests in the Target Company respectively.

INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in Hong Kong with limited liability on 23 February 2017 and is principally engaged in investment holding. As at the date of this announcement, the Target Company holds the entire equity interests of the HK Subsidiary, a company incorporated in Hong Kong with limited liability on 14 May 1992, which is the operating company and principally engaged in the retail and wholesale of Chinese medicine and pharmaceutical products via its retail outlet.

FINANCIAL INFORMATION OF THE TARGET GROUP

As the Target Company is newly incorporated, no audited financial information for each of the years ended 31 March 2015 and 2016 on the Target Company is presented in this announcement.

The audited financial information of the HK Subsidiary for the two financial years ended 31 March 2015 and 2016 are set out below:

	For the year ended 31 March 2015 (audited) (HK\$)	For the year ended 31 March 2016 (audited) (HK\$)
Net Profit before taxation	1,077,663	1,009,280
Net profit after taxation	810,599	861,040
Net assets	14,746,758	15,607,798

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the manufacturing, marketing and sale of generic drugs and proprietary medicines.

The Acquisition reinforces the strategy of the Group to acquire businesses that bring about a sound strategic fit to our long term business development. This strategic acquisition accelerates the growth momentum for the Group's proprietary medicine business and facilitates our penetration into China. Key benefits are of three-fold:

1. the Target Group comes with a well-established commercial infrastructure and customer network that can help the Group to reach out to its targeted customers in the southern China region. This retail and wholesale network has significant bearing upon the Group in enhancing both the market coverage and penetration of its proprietary medicine brands;
2. through the retail and wholesale activities of the Target Group, it provides first-hand market intelligence which is valuable for capitalizing on market opportunities and new product development; and
3. the Acquisition also helps to create a high level of synergies through leveraging of brand management and market coverage resources.

Accordingly, the Directors are of the view that the terms of the Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is therefore subject to notification and announcement requirements but exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

Completion is subject to fulfilment (or if applicable, waiver) of the conditions as set out in the section headed "Conditions precedent" of this announcement. As Completion may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“2018 Net Profit”	the audited net profit after tax of the HK Subsidiary for the financial year ending 31 March 2018
“2019 Net Profit”	the audited net profit after tax of the HK Subsidiary for the financial year ending 31 March 2019
“Acquisition”	the acquisition of the Sale Shares
“Agreement”	the agreement dated 13 March 2017 entered into among the Vendor, the Purchaser and the Guarantor in relation to the Acquisition
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	Jacobson Pharma Corporation Limited (雅各臣科研製藥有限公司), an exempted company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 2633)
“Completion”	completion of the Acquisition in accordance with the terms of the Agreement
“Completion Date”	3 April 2017 or the third Business Day on which the conditions precedents are being fulfilled or waived (whichever is earlier) or such other date as the parties under the Agreement may agree in writing
“Consideration”	the aggregate consideration payable by the Purchaser for the Sale Shares, being HK\$56,000,000
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Guarantor”	Ever Yield Corporation, a company incorporated in the British Virgin Islands with limited liability

“HK Subsidiary”	a company with limited liability established under the laws of Hong Kong and a wholly-owned subsidiary of the Target Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the Listing Rules)
“Letter of Intent”	the non-legally binding heads of terms entered into among, inter alia, the sole shareholder of the Vendor and the Purchaser on 8 February 2017 in relation to the Acquisition
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	Coming Wealth Inc., a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company, being the purchaser under the Agreement
“Sale Shares”	700,000 issued shares of the Target Company, representing 70% of the entire equity interests in the Target Company as at the date of this announcement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Hong Ning Hong Limited (康寧行有限公司), a company incorporated in Hong Kong with limited liability
“Target Group”	the Target Company and the HK Subsidiary
“Vendor”	Win Pacific Glory Limited, a company incorporated in the British Virgin Islands with limited liability, being the vendor under the Agreement

“Warranties”	the warranties and representations given by the Vendor as set out in the Agreement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent

By Order of the Board
Jacobson Pharma Corporation Limited
Wong Wai Ming
Company Secretary

Hong Kong, 13 March 2017

As at the date of this announcement, the Board comprises Mr. Sum Kwong Yip, Derek (also as Chief Executive Officer), Ms. Pun Yue Wai and Mr. Yim Chun Leung as executive Directors, Professor Lam Sing Kwong, Simon as non-executive Director, and Professor Chow Hee Lum, Albert, Dr. Lam Kwing Tong, Alan and Mr. Young Chun Man, Kenneth as independent non-executive Directors.