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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 THE ENTIRE ISSUED SHARE CAPITAL OF DICKSON WAREHOUSING LIMITED, ASSIGNMENT OF SALE LOAN AND LEASEBACK ARRANGEMENT

THE AGREEMENT

The Board is pleased to announce that on 23 August 2018 (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 Company, pursuant to which the Purchaser agreed to acquire the Sale Shares and take the assignment of the Sale Loan, and the Vendor agreed to sell the Sale Shares and assign the Sale Loan, at the Consideration.

THE LEASEBACK ARRANGEMENT

The Leaseback Arrangement forms part of the transactions contemplated under the Agreement.

Pursuant to the Agreement, after Completion, the Purchaser shall procure the Target Company to lease back the Leaseback Portion to Honca Limited (a member of the Vendor's Group) subject to the terms and conditions of the Tenancy Agreement.

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 reporting and announcement requirements under Chapter 14 of the Listing Rules.

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THE AGREEMENT

Date: 23 August 2018 (after trading hours of the Stock Exchange)

Parties:

- (1) Dickson Concepts Limited, as the Vendor
- (2) Silver Sampan Limited, as the Purchaser
- (3) the Company, as the Purchaser's guarantor

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Vendor and its ultimate beneficial owner(s) are Independent Third Parties.

Assets to be acquired

Pursuant to the Agreement, the Purchaser has agreed to acquire the Sale Shares and take the assignment of the Sale Loan and the Vendor has agreed to sell the Sale Shares and assign the Sale Loan to the Purchaser. As at the date of this announcement, the Sale Shares represent the entire issued share capital of the Target Company and, as at 31 May 2018 the Sale Loan amounts to HK\$30,858,559.

As at the date of this announcement, the Target Company holds the Property. Immediately after Completion, the entire issued share capital of the Target Company will be owned by the Purchaser. The Target Company will become an indirect wholly-owned subsidiary of the Company upon Completion.

Consideration

The Consideration payable for the sale and purchase of the Sale Shares and the Sale Loan shall be equal to the Base Consideration subject to adjustment and shall be satisfied as follows:

- (a) upon the execution of the Agreement, the Purchaser has fully satisfied the payment of the Deposit to the Vendor.
- (b) the balance of the Base Consideration, being HK\$225,000,000, shall be paid by the Purchaser to the Vendor on the Completion Date by electronic transfer of immediately available funds or by way of cashier's order; and
- (c) if the aggregate of the Actual Net Asset Value and the principal amount of the Sale Loan at Completion is:
 - (i) a sum which is greater than the Base Consideration, the Purchaser shall pay to the Vendor an amount equal to the difference; or
 - (ii) a sum which is less than the Base Consideration, the Vendor shall pay to the Purchaser an amount equal to the difference,

which shall be payable within 7 Business Days after the date of finalization of the Completion Accounts. The maximum amount payable under the above is HK\$10,000,000.

The Consideration was determined after arm's length negotiations between the Group and the Vendor with reference to, among others, (i) prevailing market prices of similar properties in the relevant location and (ii) the total assets and liabilities of the Target Company.

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

Completion

The Completion date shall be 14 November 2018 or such other date as the parties under the Agreement may agree in writing.

INFORMATION OF THE VENDOR

The Vendor is an investment holding company incorporated in Hong Kong with limited liability. As at the date of this announcement, the Vendor is the sole beneficial owner of the Target Company.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability on 2 June 1992 and is principally engaged in operation of warehouses in Hong Kong. As at the date of this announcement, the Target Company holds the Property.

FINANCIAL INFORMATION OF THE TARGET COMPANY

The following is a summary of the audited financial information of the Target Company for the two financial years ended 31 March 2017 and 31 March 2018 are set out below:

	For the year ended 31 March 2017 (audited) (HK\$'000)	For the year ended 31 March 2018 (audited) (HK\$'000)
Net (loss)/profit before taxation	(2,382)	1,742
Net (loss)/profit after taxation	(2,268)	1,840

The audited total asset value and net liability value of the Target Company as at 31 March 2018 were approximately HK\$29,761,000 and HK\$4,897,000 respectively.

INFORMATION OF THE PROPERTY

The Property is situated at Ever Gain Centre (the “**Building**”), No. 28 On Muk Street, Shatin, New Territories, Hong Kong, comprising Godown A, Godown B and Godown C on 9th Floor and car parking spaces L4, P5, P6, P7 and P8 on 2nd Floor of the Building.

The total gross floor area of the Property is 49,925 square feet.

THE LEASEBACK ARRANGEMENT

The Leaseback Arrangement forms part of the transactions contemplated under the Agreement.

Pursuant to the Agreement, upon Completion, the Purchaser shall procure the Target Company to lease back the Leaseback Portion to Honca Limited (a member of the Vendor's Group) subject to the following major terms and conditions of the Tenancy Agreement:

1. Parties:
 - (i) the Target Company as landlord
 - (ii) Honca Limited (a member of the Vendor's Group) as tenant, which is an Independent Third Party
2. Term of the Tenancy Agreement: 2 years commencing on the day following the Completion Date with an option (exercisable by the Tenant) for a further term of 1 year on the same terms.
3. Monthly rental for Godown A and Godown B: HK\$12 per square foot, payable monthly in advance and hence HK\$418,200 per month

The said rent is determined after arm's length negotiation between the Vendor and the Company
4. Monthly rental for carparking spaces P5 and P6 on 2/F For each carparking space, HK\$2,600 per month
5. Early termination Upon expiry of 7 months from the commencement date of the initial term of the Tenancy Agreement, the tenant will be entitled to terminate the Tenancy Agreement at any time by giving not less than 3 months' prior written notice to the Target Company.
6. Advance payment The tenant shall pay a sum of HK\$4,948,000.00 to the Target Company on or before the commencement of the initial term of the Tenancy Agreement advance payment of rent, management fee, rates, government rent and any other outgoings and charges which shall be applied, inter alia, towards payment of the rent payable by the tenant from the commencement of the term until the said sum is fully utilized. Subsequent to the full utilization and application of the said sum of HK\$4,948,000.00, the tenant shall make the payments in accordance with the terms of this Agreement.

REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE LEASEBACK ARRANGEMENT

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

The Board considers that the Acquisition represents a good opportunity for the Group to purchase the Property as one of the logistic facilities of the Group. The Group's existing logistic center is situated in the same building of the Property. The Board considers that it is to the long term benefit of the Group to acquire and own the Property in a bid to enhance its logistics capacity as well as operational efficiency of the Group to cater for future business growth.

The Leaseback Arrangement is a request from the Vendor. The Board considers that this arrangement gives the Group a flexibility to increase its logistic capacity in a stepwise manner along with its business growth. The Group would receive a market rental as other income after Completion.

Accordingly, the Directors are of the view that the terms of the Agreement and the transactions contemplated thereunder (including the Consideration and Leaseback Arrangement) 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 reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares and the assignment of the Sale Loan by the Purchaser from the Vendor
“Actual Net Asset Value”	the net asset value of the Company as at the Completion Date calculated in accordance with the Agreement
“Agreement”	the agreement dated 23 August 2018 entered into among the Vendor, the Purchaser and the Company in relation to the Acquisition subject to and in accordance with the terms and conditions of the Agreement

“Base Consideration”	HK\$250,000,000
“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 and conditions of the Agreement
“Completion Accounts”	the statement of profit or loss of the Company in respect of the period from 1 April 2018 to the Completion Date and the statement position of the Company as at the Completion Date prepared in accordance with the Agreement
“Completion Date”	on 14 November 2018 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 and the Sale Loan, being the Base Consideration subject to adjustment as specified in the section headed “Consideration”
“Deposit”	the sum of HK\$25,000,000 payable upon execution of the Agreement
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“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 under the Listing Rules)

“Leaseback Arrangement”	the leaseback arrangement in respect of the Leaseback Portion as contemplated under the Tenancy Agreement
“Leaseback Portion”	Godown A and Godown B on 9th Floor and two car parking spaces of the Property
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Property”	the premises situate at Godown A, Godown B and Godown C on 9th Floor and car parking spaces L4, P5, P6, P7 and P8 on 2nd Floor of Ever Gain Centre, No. 28 On Muk Street, Shatin, New Territories, Hong Kong
“Purchaser”	Silver Sampan Limited, 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 Loan”	the entire amount of the shareholder’s loan, other sums, indebtedness and interest (if any) due, owing to or payable to the Vendor by the Target Company at Completion which is interest free and repayable on demand, and as at 31 May 2018, the amount was HK\$30,858,559
“Sale Shares”	2 issued shares of the Target Company, representing 100% of the entire share capital of the Target Company
“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”	Dickson Warehousing Limited, a company incorporated in Hong Kong with limited liability
“Tenancy Agreement”	collectively the tenancy agreement and the licence agreement to be executed by the Target Company and Honca Limited (a member of the Vendor’s Group) upon Completion in respect of the Leaseback Portion
“Vendor”	Dickson Concepts Limited, a company incorporated in the British Virgin Islands with limited liability, being the vendor under the Agreement

“Vendor’s Group”	Dickson Concepts (International) Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 0113), its subsidiaries and associates (as defined under the Listing Rules)
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent

By order of the Board
Jacobson Pharma Corporation Limited
Wu Lai King
Company Secretary

Hong Kong, 23 August 2018

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