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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 DISPOSAL OF 49% OF EQUITY INTERESTS IN HONG NING HONG LIMITED AND DISPOSAL OF SUBSIDIARY

THE AGREEMENT

The Board is pleased to announce that on 1 June 2020 (after trading hours of the Stock Exchange), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase the Sale Shares, representing 49% of the entire equity interests in the Target Company at an aggregate consideration of HK\$41,650,000.

LISTING RULES IMPLICATIONS

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

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THE AGREEMENT

Date: 1 June 2020 (after trading hours of the Stock Exchange)

Parties: (1) Million Effort Investment Limited, as the Purchaser
(2) Coming Wealth Inc., as the Vendor

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 Purchaser and its ultimate beneficial owners are Independent Third Parties.

Assets to be disposed of

Pursuant to the Agreement, the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase the Sale Shares, representing 49% of the entire equity interests in the Target Company. As at the date of this announcement, the Target Company holds the entire issued shares of the HK Subsidiary, a company incorporated in Hong Kong with limited liability. Immediately after the Completion, the entire issued shares of the Target Company will be owned as to 21% by the Vendor, 49% by the Purchaser and 30% by another shareholder. Upon Completion, the Target Company and the HK Subsidiary will cease to be the indirect non-wholly owned subsidiaries of the Company and the financial results of the Target Group will cease to be consolidated into the financial statements of the Group.

Consideration

The Consideration payable for the sale and purchase of the Sale Shares is HK\$41,650,000, and had been paid or shall be paid (as the case may be) by the Purchaser to the Vendor in the following manner:

- (a) upon execution of the Agreement, a deposit of HK\$4,165,000 (the "**Deposit**"), being 10% of the Consideration, had been paid by the Purchaser to the Vendor; and
- (b) upon Completion, the remaining balance of HK\$37,485,000, being the Consideration less the Deposit, shall be paid by the Purchaser to the Vendor.

The Consideration for the Disposal was determined after arm's length negotiations with reference to, a valuation report of the Target Group as at 14 May 2020 prepared by an independent valuer in Hong Kong, based on the income approach by taking into consideration of the business nature, specialty of Target Group's operations, the Target Group's current condition and the industry in which the Target Group is participating.

Conditions Precedent

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

- (a) all requisite consents, clearances, authorisations and approvals (or, as the case may be, the relevant waivers) in connection with the entering into and performance of the terms of the Agreement having been obtained by the Vendor and remaining in full force and effect;
- (b) the audited financial statements (comprising balance sheet and income statement) of the Target Company and the HK Subsidiary for the accounting period ended on 31 March 2020 having been provided to the Purchaser;
- (c) the Purchaser having carried out and completed the due diligence review of the Group (whether legal, accounting, financial, operational or other aspects that the Purchaser considers necessary) and being satisfied with the results of the due diligence review of the Group and their related business, assets, liabilities, activities, operations, financial position and prospects in all respects;
- (d) the Warranties remaining true and accurate in all material respects and not misleading in any material respect up to Completion; and
- (e) 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 poison) having remained valid and in full force and effect and not being revoked or cancelled by relevant organisation 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.

The Purchaser may waive the conditions precedent (c) to (e) by written notice to the Vendor either in whole or in part and such waiver may be made subject to such terms and conditions as the Purchaser may require.

Completion

The Completion date shall be on the fifth (5th) Business Day after all conditions precedent have been fulfilled or waived or such other date as the parties in the Agreement may agree in writing.

INFORMATION OF THE GROUP AND THE VENDOR

The Vendor is an investment holding company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company.

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

INFORMATION OF THE PURCHASER

The Purchaser is an investment holding company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Tycoon Group.

Tycoon Group is a provider of a variety of proprietary Chinese medicine, health supplement, skin care, personal care and other healthcare products, predominantly selling and distributing such products in Hong Kong. In addition, Tycoon Group has been actively engaging in offline direct sales through its retail stores in Macau and online sales through its cross-border e-commerce platform.

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 pharmaceutical products and proprietary medicines via its retail outlets.

FINANCIAL INFORMATION OF THE TARGET GROUP

The audited financial information of the Target Company for the period from 23 February 2017 (date of incorporation) to 31 March 2018, for the financial year ended 31 March 2019 and the unaudited financial information of the Target Company for the ten months ended 31 January 2020 are set out below:

	For the period from 23 February 2017 (date of incorporation) to 31 March 2018 (audited) (HK\$)	For the year ended 31 March 2019 (audited) (HK\$)	For the ten months ended 31 January 2020 (unaudited) (HK\$)
Net (loss)/profit before taxation	(524,788)	(30,900)	3,578,900
Net (loss)/profit after taxation	(524,788)	(30,900)	3,578,900
Net assets	475,212	444,312	1,023,212

The audited financial information of the HK Subsidiary for the two financial years ended 31 March 2018 and 2019 and the unaudited financial information of the HK Subsidiary for the ten months ended 31 January 2020 are set out below:

	For the year ended 31 March 2018 (audited) (HK\$)	For the year ended 31 March 2019 (audited) (HK\$)	For the ten months ended 31 January 2020 (unaudited) (HK\$)
Net profit before taxation	4,912,517	5,368,965	2,546,494
Net profit after taxation	4,083,915	4,489,928	2,126,322
Net assets	27,341,649	31,831,577	30,357,899

Upon Completion, the Target Company and the HK Subsidiary will cease to be the indirect non-wholly owned subsidiaries of the Company and the financial results of the Target Group will cease to be consolidated into the financial statements of the Group. The Group will only have significant influence in the Target Company which will be classified as associate.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group has forged and been maintaining business collaborations with Tycoon Group since 2017 in the distribution of the Group's proprietary medicine products, whereas Jacobson Group Treasury Limited, an indirect wholly-owned subsidiary of the Company, is a cornerstone investor in relation to the global offering of Tycoon Group.

After the Disposal, the Group continues to hold 21% equity interest in the Target Company. Through this strategic collaboration, the Group and the HK Subsidiary can leverage the market experience, expertise and network of Tycoon Group in the operations of its wholesale and retail business, in particular of Tycoon Group's retail experience in both offline direct sales through its retail stores in Macau and online sales through its cross-border e-commerce platform. The Disposal also allows the Group to reallocate more of its resources on the continued development of its generic drugs and branded healthcare businesses.

Given the existing business ties and growing scope of collaboration between the Company and Tycoon Group, the Directors believe that the Disposal will be beneficial to the Group in terms of fostering and enhancing its strategic cooperation with Tycoon Group.

Furthermore 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.

It is expected that the Group will record a gain of approximately HK\$2 million which is calculated with reference to the Consideration less the unaudited consolidated net asset value of the Target Group and goodwill recognized by the Group as at 31 January 2020. The actual gain generated from the Disposal to be recorded by the Group is subject to audit, and will be calculated based on the consolidated net asset value of the Target Group and goodwill recognized by the Group as at the Completion and therefore may vary from the figures provided above.

The Group intends to use the net proceeds from the Disposal, estimated to be approximately HK\$41 million for general working capital of the Group.

LISTING RULES IMPLICATIONS

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DEFINITIONS

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

"Agreement"	the agreement dated 1 June 2020 entered into between the Vendor and the Purchaser in relation to the Disposal
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, a Sunday public holiday and any day on which a tropical cyclone warning No.8 or above or a "black rainstorm warning signal" is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are generally open in Hong Kong for business
"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 Disposal in accordance with the terms of the Agreement
"Completion Date"	the fifth (5th) Business Day after all the conditions precedent have been fulfilled or waived 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\$41,650,000
"Directors"	directors of the Company

“Disposal”	the disposal of Sale Shares
“Group”	the Company and its subsidiaries
“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)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	Million Effort Investment Limited, a company incorporated in British Virgin Islands with limited liability, being the purchaser under the Agreement
“Sale Shares”	490,000 issued shares of the Target Company, representing 49% 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 and an indirect non-wholly owned subsidiary of the Company as at the date of this announcement
“Target Group”	the Target Company and its subsidiaries

“Tycoon Group”	Tycoon Group Holdings Limited (滿貫集團控股有限公司), a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 3390)
“Vendor”	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 vendor under the Agreement
“Warranties”	the warranties, representations and/or undertakings given or made 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
YIM Chun Leung
Executive Director and Company Secretary

Hong Kong, 1 June 2020

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 (also as Company Secretary) and Ms. Pun Yue Wai as executive Directors, Professor Lam Sing Kwong, Simon as non-executive Director, and Dr. Lam Kwing Tong, Alan, Mr. Young Chun Man, Kenneth and Professor Wong Chi Kei, Ian as independent non-executive Directors.