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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

CONNECTED TRANSACTIONS

(1) INCREASE IN SHAREHOLDING HELD IN ORIZEN CAPITAL LIMITED

(2) DEEMED DISPOSAL OF EQUITY INTERESTS

IN A SUBSIDIARY

The Board wishes to announce that on 27 July 2020, the Purchaser (an indirect wholly-owned subsidiary of the Company), the Vendor (a connected person of the Company at subsidiary level) and JBM (an indirect wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares, representing 10% of the total issued share capital of the Target Company (an indirect non-wholly owned subsidiary of the Company). The consideration shall be satisfied by way of an allotment and issuance of the Consideration Shares by JBM to the Vendor, which constitute a deemed disposal of the equity interests in a subsidiary by the Company.

As at the date of this announcement, the Vendor is a director of the Target Company and holds 10% of the total issued share capital in the Target Company, and as such is a connected person of the Company at subsidiary level pursuant to the Listing Rules. Accordingly, the Acquisition and the Deemed Disposal each constitutes a connected transaction of the Company at subsidiary level under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of each of the Acquisition and the Deemed Disposal exceed 1% but are all less than 5%, the Acquisition and the Deemed Disposal will be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

THE ACQUISITION

On 27 July 2020, the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendor (a connected person of the Company at subsidiary level) and JBM (an indirect wholly-owned subsidiary of the Company), pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares, representing 10% of the total issued share capital of the Target Company. The consideration shall be satisfied by way of an allotment and issuance of the Consideration Shares by JBM to the Vendor.

Principal terms of the Sale and Purchase Agreement are set out below:

Date: 27 July 2020

Parties: (i) the Purchaser as purchaser;
(ii) the Vendor as vendor; and
(iii) JBM as issuer of the Consideration Shares.

Assets to be acquired

As at the date of this announcement, the Target Company is held as to 88% by the Purchaser, 10% by the Vendor and 2% by an independent third party. Pursuant to the Sale and Purchase Agreement, the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares, representing 10% of the total issued share capital of the Target Company.

Immediately upon Completion, the Target Company will be held as to 98% by the Purchaser and 2% by an independent third party. The Target Company will remain as a subsidiary of the Company and the financial results of the Target Group will continue to be consolidated into the financial statements of the Group.

Consideration

The Consideration payable for the Sale Shares is HK\$30,000,000, which shall be satisfied by way of an allotment and issuance of Consideration Shares by JBM to the Vendor.

The Consideration was determined after arm's length negotiations with reference to, among other things, (i) the future growth prospect and strategic development of the proprietary Chinese medicine business of the Target Group; and (ii) the historical financial performance of the Target Group.

Conditions precedent

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

- (i) the Vendor having obtained all consents, approvals, waivers and authorisations from governmental authorities or third parties in Hong Kong or elsewhere as may be necessary or required for the execution and implementation of the Sale and Purchase Agreement and in conjunction with the proposed change in shareholding in the Target Company (if required), and such consents, approvals, waivers and authorisations not having been revoked, withdrawn or modified; and
- (ii) the Warranties remaining true, accurate and complete in all material respects and not misleading.

If any of the Conditions have not been satisfied (or waived by the Purchaser) on or before the Completion Date, the Sale and Purchase Agreement will immediately terminate, the Purchaser may on that date (but without prejudice to any other right or remedy it may have), by notice to the Vendor (a) waive the Conditions which are then unsatisfied; (b) postpone the Completion Date to a date (being a Business Day) falling not more than 30 Business Day after the initial Completion Date; or (c) if the Purchaser elects to postpone Completion in accordance with (b) above, then the provisions of the Sale and Purchase Agreement shall apply as if the date set for Completion is the date to which Completion is so postponed.

Completion and Deemed Disposal

The Completion Date shall be on 30 July 2020 or such later date as the parties to the Sale and Purchase Agreement may agree in writing. The allotment and issuance of the Consideration Shares at Completion constitute a deemed disposal of the equity interests in a subsidiary by the Company.

Immediately after the Completion but before the completion of the Strategic Investment Agreements, the Company's indirect equity interests in JBM will be reduced from 100% to 96.01%, with JBM remaining as a subsidiary of the Company. As such, the financial results of JBM will continue to be consolidated into the financial statements of the Group.

INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in the British Virgin Islands and an investment holding company. As at the date of this announcement, the Target Company is an indirect non-wholly owned subsidiary of the Company and the Target Group is principally engaged in the proprietary Chinese medicine business which carries concentrated Chinese medicine granule products for sale and distribution under different brand names including brand name(s) owned by the Target Group.

FINANCIAL INFORMATION OF THE TARGET GROUP

The Target Company was incorporated on 6 June 2018. The unaudited financial information of the Target Company for the two financial years ended 31 March 2020 is set out below:

	From incorporation date to 31 March 2019 (unaudited) HK\$'000	For the year ended 31 March 2020 (unaudited) HK\$'000
Net profit before taxation	–	18,757
Net profit after taxation	–	18,757
Net assets/(liabilities)	1	(42)

The audited financial information of the HK Subsidiary for the two financial years ended 31 March 2020 is set out below:

	For the year ended 31 March 2019 (audited) HK\$'000	For the year ended 31 March 2020 (audited) HK\$'000
Net profit before taxation	26,207	27,617
Net profit after taxation	22,088	23,032
Net assets	28,088	32,269

FINANCIAL INFORMATION OF JBM

JBM was incorporated on 7 January 2020. The unaudited financial information of JBM for the period from 7 January 2020 to 31 March 2020 is set out below:

	For the period from 7 January 2020 to 31 March 2020 (unaudited) HK\$'000
Net loss before taxation	(9,214)
Net loss after taxation	(9,214)
Net assets	517,705

REASONS FOR AND BENEFITS OF THE ACQUISITION

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

Through previous acquisitions, the Company had indirectly through the Purchaser acquired an aggregate interest of 88% in the Target Company since August 2019. The HK Subsidiary has recorded a steady growth of 5.4% in terms of net profit before taxation for the year ended 31 March 2020. By raising our shareholding stakes in the Target Company alongside the Company's reorganization move, we are able to further consolidate our control in the proprietary Chinese medicine business of the Target Group. It also reinforces the Group's strategies of pursuing acquisitions that would bring about strategic fit to our business portfolio and generate long term values to our shareholders.

Accordingly, the Directors (including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable, and that the Acquisition is transacted on normal commercial terms and in the ordinary and usual course of business of the Group. It is also in the interests of the Company and the Shareholders as a whole.

None of the Directors have a material interest in the Acquisition and therefore no Directors are required to abstain from voting on the relevant resolutions of the Board approving the Acquisition.

INFORMATION OF THE VENDOR AND THE PURCHASER

The Vendor is an individual who is a director of the Target Company and holds 10% of the total issued share capital in the Target Company as at the date of this announcement and accordingly, she is a connected person of the Company at subsidiary level. To the best knowledge of the Company, the initial acquisition costs of the Vendor and her co-investors in the Target Group were approximately HK\$8,000,000.

The Purchaser is an investment holding company and an indirect wholly-owned subsidiary of the Company as at the date of this announcement.

INFORMATION OF JBM AND INTRODUCTION OF STRATEGIC INVESTORS AS SHAREHOLDERS OF JBM

JBM is an investment holding company and an indirect wholly-owned subsidiary of the Company as at the date of this announcement. Apart from the indirect effective interest of 88% in the Target Company/Group as at the date of this Announcement, JBM is also the holding company of certain operating companies of the Group.

“Business Day”	a day (other than Saturday, Sunday and public holiday) on which commercial banks are generally open for banking business in Hong Kong
“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 Sale and Purchase Agreement
“Completion Date”	the date on which Completion shall take place, being 30 July 2020 or such later date as the parties to the Sale and Purchase Agreement may agree in writing
“Condition(s)”	the condition(s) precedent for Completion as set out in the section headed “Conditions precedent” in this announcement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration payable by the Purchaser for the Sale Shares, being HK\$30,000,000, which shall be satisfied by way of an allotment and issuance of the Consideration Shares
“Consideration Shares”	30,000,000 shares of JBM to be allotted and issued to the Vendor upon Completion pursuant to the terms and conditions of the Sale and Purchase Agreement
“Deemed Disposal”	the reduction of the Company’s indirect equity interests in JBM pursuant to the allotment and issuance of the Consideration Shares
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“HK Subsidiary”	Hong Kong Premier Concentrated Chinese Herbs Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“JBM”	JBM (Healthcare) Limited, an exempted company incorporated in the Cayman Islands with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	Sampan Development Limited, a BVI business company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Sale and Purchase Agreement”	the sale and purchase agreement dated 27 July 2020 entered into between the Vendor, the Purchaser and JBM in relation to the Acquisition
“Sale Shares”	10 issued shares of the Target Company, representing 10% of the total issued share capital of 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
“Strategic Investment Agreements”	the strategic investment agreements dated 27 July 2020 entered into between JBM, JBM Group (BVI) Limited (being the immediate holding company of JBM) and certain strategic investors respectively
“Target Company”	Orizen Capital Limited, a BVI business company incorporated in the British Virgin Islands with limited liability and an indirect non-wholly-owned subsidiary of the Company
“Target Group”	the Target Company and the HK Subsidiary
“Vendor”	Ms. Yang Hua, an individual who is a connected person of the Company
“Warranties”	the warranties and representations given by the Vendor as set out in the Sale and Purchase 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, 27 July 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.