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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

FINANCIAL HIGHLIGHTS

- The revenue for the financial year ended 31 March 2018 amounted to approximately HK$1,548.7 million, representing an increase of about 23.3% as compared to that of approximately HK$1,256.0 million for the corresponding year of 2017.

- Profit from operations for the same year amounted to approximately HK$297.2 million, representing an increase of about 26.4% as compared to that of approximately HK$235.2 million for the corresponding year of 2017.

- Profit attributable to the shareholders of the Company for the same year amounted to approximately HK$202.3 million, representing an increase of about 12.8% as compared to that of approximately HK$179.3 million for the corresponding year of 2017.

- The Board recommends a payment of a final dividend for the year ended 31 March 2018 of HK2.9 cents per share for the total amount of approximately HK$52.7 million (2017 final dividend: HK1.4 cents per share).

The Board of the Company is pleased to announce the audited consolidated annual results of the Group for the year ended 31 March 2018, together with the comparative figures for the corresponding year in 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended 31 March 2018 HK$'000	2017 HK$'000
Revenue	*3*	**1,548,684**	1,255,957
Cost of sales		**(931,022)**	(699,069)
Gross profit		**617,662**	556,888
Other income	*4*	**19,506**	11,740
Selling and distribution expenses		**(167,075)**	(145,350)
Administrative and other operating expenses		**(172,865)**	(188,036)
Profit from operations		**297,228**	235,242
Finance costs	*5(A)*	**(46,005)**	(13,996)
Profit before taxation	*5*	**251,223**	221,246
Income tax	*6(A)*	**(46,323)**	(39,986)
Profit for the year		**204,900**	181,260
Item that may be reclassified to profit or loss:			
Exchange differences on translation of financial statements of operations outside Hong Kong		**3,645**	(1,845)
Other comprehensive income		**3,645**	(1,845)
Total comprehensive income for the year		**208,545**	179,415

	Note	Year ended 31 March **2018** *HK$'000*	2017 *HK$'000*
Profit attributable to:			
Shareholders of the Company		**202,270**	179,328
Non-controlling interests		**2,630**	1,932
Total profit for the year		**204,900**	181,260
Total comprehensive income attributable to:			
Shareholders of the Company		**205,915**	177,483
Non-controlling interests		**2,630**	1,932
Total comprehensive income for the year		**208,545**	179,415
		HK cents	*HK cents*
Earnings per share attributable to shareholders of the Company:	*7*		
– Basic		**11.14**	11.39
– Diluted		**11.14**	11.39

Details of dividends payable to shareholders of the Company attributable to the profit for the year are set out in note 8.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March **2018** *HK$'000*	2017 *HK$'000*
Non-current assets			
Investment properties		**91,000**	–
Other property, plant and equipment		**982,270**	1,007,672
Leasehold land		**48,041**	48,839
Intangible assets		**1,087,140**	1,056,801
Interest in an associate		**12,603**	–
Other non-current assets		**26,510**	20,420
Other financial assets		**117,718**	–
Deferred tax assets		**4,191**	2,423
		2,369,473	2,136,155
Current assets			
Inventories		**316,323**	261,313
Trade and other receivables	*9*	**254,797**	201,470
Current tax recoverable		**13,829**	11,444
Cash and cash equivalents		**656,733**	359,685
		1,241,682	833,912
Current liabilities			
Trade and other payables	*10*	**105,553**	108,141
Bank loans		**903,872**	937,486
Obligations under finance leases		**184**	149
Convertible notes		**447,097**	–
Current tax payable		**4,657**	12,713
		1,461,363	1,058,489
Net current liabilities		**219,681**	224,577
Total assets less current liabilities		**2,149,792**	1,911,578
Non-current liabilities			
Obligations under finance leases		**660**	373
Deferred tax liabilities		**141,157**	138,887
		141,817	139,260
NET ASSETS		**2,007,975**	1,772,318
CAPITAL AND RESERVES			
Share capital	*11*	**18,156**	18,156
Reserves		**1,957,606**	1,731,247
Total equity attributable to shareholders of the Company		**1,975,762**	1,749,403
Non-controlling interests		**32,213**	22,915
TOTAL EQUITY		**2,007,975**	1,772,318

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 March 2018 comprise the Company and its subsidiaries and the Group's interest in an associate.

Intra-group balances and transactions are eliminated in full in preparing the consolidated financial statements.

The financial statements have been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group at 31 March 2018. The directors consider this basis of preparation is appropriate having regard to the following factors.

Among the current liabilities, there were bank loans and convertible notes contractually due for repayment after one year of HK$465,120,000 and HK$447,097,000 respectively as at 31 March 2018 (2017: HK$517,258,000 and HK$nil), but have been classified as current liabilities because the loan agreements and subscription agreement of the convertible notes both include a clause that gives the banks the unconditional right to call the bank loans at any time ("repayment on demand clause") and gives the notesholders the right to redeem the convertible notes upon occurrence of events of default ("specific redemption terms").

The directors do not expect the banks will demand repayment of these bank loans before maturity as the Group has good repayment records and has complied with the relevant covenants related to such banking facilities nor the notesholders will demand redemption as no events of default are expected to occur. In addition, the directors of the Company have carried out a detailed review of the working capital forecast of the Group for the year ending 31 March 2019. Based on the review, the directors consider the Group will have the necessary liquid funds to finance its working capital requirements and it will be able to meet its financial obligations as and when they fall due.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

(A) Revenue

The principal activities of the Group are manufacturing and trading of generic drugs and proprietary medicines.

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 organised 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.

- Generic drugs: this segment develops, manufactures and distributes a host of off-patent medicines for various therapeutic use. Currently the activities in this regard are primarily carried out in Hong Kong.

- Proprietary medicines: this segment develops, manufactures and distributes medicines. Currently the activities in this regard are primarily carried out in Hong Kong.

- Wholesale and retail: this segment sells western and proprietary medicine 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 amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including interest income and interest expenses and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA the Group's earnings are further adjusted for non-recurring items not attributable to the operations of individual segments.

Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

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 these financial statements.

(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 is set out below.

	Generic drugs Year ended 31 March		Proprietary medicines Year ended 31 March		Wholesale and retail Year ended 31 March		Total Year ended 31 March	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**1,178,795**	1,097,574	**192,238**	158,383	**177,651**	–	**1,548,684**	1,255,957
Inter-segment revenue	**3,632**	–	**3,850**	–	**–**	–	**7,482**	–
Reportable segment revenue	**1,182,427**	1,097,574	**196,088**	158,383	**177,651**	–	**1,556,166**	1,255,957
Reportable segment profit (adjusted EBITDA)	**330,237**	298,545	**61,965**	30,373	**4,801**	–	**397,003**	328,918

Public Sector refers to public sector institutions and clinics in Hong Kong. Private Sector refers to customers not included in Public Sector, which primarily encompasses private hospitals, registered pharmacies, doctors in private and retail outlets.

Information regarding the Group's revenue by business segment and market for the year is set out below:

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Generic drugs		
Public Sector	**371,996**	344,711
Private Sector	**806,799**	752,863
Generic drugs subtotal	**1,178,795**	1,097,574
Proprietary medicines	**192,238**	158,383
Wholesale and retail	**177,651**	–
Total	**1,548,684**	1,255,957

(ii) ***Reconciliations of reportable segment revenue and profit or loss***

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**1,556,166**	1,255,957
Elimination of inter-segment revenue	**(7,482)**	–
Consolidated revenue	**1,548,684**	1,255,957
Profit		
Reportable segment profit	**397,003**	328,918
Elimination of inter-segment profit	**(4,650)**	–
Reportable segment profit derived from Group's external customers	**392,353**	328,918
Interest income from bank deposits and the investments	**3,947**	718
Other interest income	**–**	1,001
Net gain on disposal of a subsidiary	**–**	2,393
Net gain on disposal of an intangible asset	**–**	1,212
Net gain on disposals of investments in key management insurance contracts	**–**	5,591
Listing expenses	**–**	(22,610)
Depreciation and amortisation	**(112,434)**	(81,981)
Finance costs	**(46,005)**	(13,996)
Fair value gain on investment properties	**12,644**	–
Fair value gain on contingent consideration receivable	**718**	–
Consolidated profit before taxation	**251,223**	221,246

(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, the consignees or the distributors.

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Revenue from external customers		
Hong Kong (place of domicile)	**1,460,205**	1,174,942
China	**30,944**	31,014
Macau	**39,362**	30,661
Singapore	**6,924**	7,935
Others	**11,249**	11,405
	1,548,684	1,255,957

The following table sets out information about the geographical location of the Group's property, plant and equipment, leasehold land, investment properties, intangible assets, prepayment for purchase of non-current assets and interest in an associate ("specified non-current assets"). The geographical location of the non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, leasehold land and investment properties and the location of the operation to which they are allocated, in the case of intangible assets and non-current prepayments, and the location of operations, in the case of interest in an associate.

	As at 31 March	
	2018	2017
	HK$'000	*HK$'000*
Specified non-current assets		
Hong Kong (place of domicile)	**2,202,348**	2,103,052
China	**29,676**	30,532
Macau	**122**	148
Cambodia	**14,617**	–
	2,246,763	2,133,732

(iv) ***Information about major customers***

For the year ended 31 March 2018, the Group's customer base includes one customer of generic drugs segment with whom transactions have exceeded 10% of the Group's revenue. Revenue from sales of generic drugs to this customer, including sales to entities which are known to the Group to be under common control amounted to approximately HK$371,996,000 (2017: HK$344,711,000).

4 OTHER INCOME

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Commission income	**948**	523
Interest income from bank deposits and other investments	**3,947**	718
Other interest income	**–**	1,001
Net foreign exchange gain/(loss)	**492**	(67)
Net gain/(loss) on disposals of property, plant and equipment	**30**	(397)
Fair value gain on investment properties	**12,644**	–
Fair value gain on contingent consideration receivable	**718**	–
Net gain on disposal of a subsidiary	**–**	2,393
Net gain on disposal of an intangible asset	**–**	1,212
Net gain on disposals of investments in key management insurance contracts	**–**	5,591
Others	**727**	766
	19,506	11,740

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Year ended 31 March	
	2018	2017
	HK$'000	HK$'000
(a) Finance costs		
Interest on bank loans and other borrowings	**45,964**	20,466
Finance charges on obligations under finance leases	**41**	57
	46,005	20,523
Less: Interest expenses capitalised into construction-in-progress and prepayment for acquisition of non-current assets*	**–**	(6,527)
	46,005	13,996

* The borrowing costs had been capitalised at a rate of 3.16% per annum for the year ended 31 March 2017.

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
(b) Other items		
Amortisation		
– leasehold land	**1,644**	1,494
– intangible assets	**25,718**	18,223
Depreciation	**85,072**	62,264
Impairment losses on trade and other receivables	**–**	23
Operating lease charges in respect of properties	**70,301**	64,274
Auditors' remuneration		
– audit services	**6,529**	6,349
– other services	**2,685**	6,763
Research and development costs (other than amortisation of capitalised development costs)	**2,296**	6,342
Cost of inventories	**931,022**	699,069

6 INCOME TAX

(a) Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Current tax		
Provision for the year	**44,470**	30,700
Under/(over)-provision in respect of prior years	**1,171**	(455)
	45,641	30,245
Deferred tax		
Origination and reversal of temporary differences	**682**	9,741
	46,323	39,986

7 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of HK$202,270,000 for the year ended 31 March 2018 (2017: HK$179,328,000), and the weighted average ordinary shares in issue calculated as follows:

	Year ended 31 March	
	2018	2017
	'000	*'000*
Weighted average number of ordinary shares:		
Shares of the Company issued at the beginning of the year	**1,815,625**	1,312,500
Effect of shares issued under initial public offer and exercise of over-allotment option	**–**	261,961
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	**1,815,625**	1,574,461

The calculation of diluted earnings per share is based on the profit attributable to shareholders of the Company of HK$202,270,000 (2017: HK$179,328,000) and the weighted average of 1,815,625,000 ordinary shares (2017: 1,574,620,000 ordinary shares) in issue during the year, calculated as follows:

	Year ended 31 March	
	2018	2017
	'000	*'000*
Weighted average number of ordinary shares (diluted):		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	**1,815,625**	1,574,461
Effect of dilutive potential ordinary shares – Over-allotment option	**–**	159
Weighted average number of ordinary shares in issue during the year, used in the diluted earnings per share calculation	**1,815,625**	1,574,620

Diluted earnings per share equals to basic earnings per share for the year ended 31 March 2018 because the potential ordinary shares outstanding were anti-dilutive.

8 DIVIDENDS

(a) Dividends payable to shareholders attributable to the year

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK0.9 cent per share (2017: HK0.8 cent per share)	**16,341**	14,525
Final dividend proposed after the end of year of HK2.9 cents per share (2017: HK1.4 cents per share)	**52,653**	25,419
	68,994	39,944

The final dividend proposed after the end of the Reporting Period has not been recognised as a liability at the end of the Reporting Period.

(b) Dividends payable to shareholders attributable to the previous financial year, approved and paid during the year

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year of HK1.4 cents per share (2017: HK$nil)	**25,419**	–

9 TRADE AND OTHER RECEIVABLES

	As at 31 March	
	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**197,410**	154,314
Other receivables	**5,661**	2,762
Contingent consideration receivable	**3,846**	–
Deposits and prepayments	**47,880**	44,394
	254,797	201,470

(a) Ageing analysis

As at the end of the Reporting Period, the ageing analysis of trade receivables (which are includes in trade and other receivables) based on the invoice date and net of allowance for doubtful debts, is as follows:

	As at 31 March	
	2018	2017
	HK$'000	*HK$'000*
Less than 1 month	**113,372**	102,616
1 to 6 months	**74,955**	51,698
Over 6 months	**9,083**	–
	197,410	154,314

10 TRADE AND OTHER PAYABLES

	As at 31 March	
	2018	2017
	HK$'000	*HK$'000*
Trade payables	**35,188**	40,894
Salary and bonus payables	**37,155**	38,793
Payables and accruals for addition of property, plant and equipment	**2,373**	1,973
Other payables and accruals	**28,709**	23,326
Receipts in advance	**2,128**	3,155
	105,553	108,141

As at the end of Reporting Period, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	As at 31 March	
	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**18,784**	21,462
1 to 6 months	**16,404**	19,394
Over 6 months	**–**	38
	35,188	40,894

11 SHARE CAPITAL

	Number of shares *'000*	Amount *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each at 31 March 2017 and 2018	5,000,000	50,000
Issued:		
At 1 April 2016	1,312,500	13,125
Issue of ordinary shares under initial public offering	437,500	4,375
Issue of ordinary shares upon exercise of the over-allotment option	65,625	656
At 31 March 2017	1,815,625	18,156
At 1 April 2017 and 31 March 2018	1,815,625	18,156

On 21 September 2016, the Company issued 437,500,000 ordinary shares with a par value of HK$0.01 each, at price of HK$1.50 per share by way of a global initial public offering to Hong Kong and international investors. Net proceeds from such issue amounted to HK$620,357,000 (after deducting share issuance expenses of HK$35,893,000) of which HK$4,375,000 and HK$615,982,000 were recorded in share capital and share premium respectively.

On 6 October 2016, the Company issued 65,625,000 ordinary shares with a par value of HK$0.01 each, at price of HK$1.50 per share, by way of the exercise of the over-allotment option under global offering on 3 October 2016. Net proceeds from such issue amounted to HK$95,287,000 (after deducting share issuance expenses of HK$3,150,000) of which HK$656,000 and HK$94,631,000 were recorded in share capital and share premium respectively.

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 meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

12 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 11 June 2018, the Group completed the acquisition of 100% of equity interests in Big Honour Limited at a cash consideration of HK$128,000,000 to acquire certain units and car parks in a commercial building in Hong Kong.

13 SCOPE OF WORK OF AUDITOR

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2018 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

LETTER TO SHAREHOLDERS

Dear Shareholders,

Prudent but bold, our efforts throughout 2018 have positioned us to reap rewards in years to come.

The year of 2018 marks our 20th anniversary and gives us the opportunity to reflect not only on our past achievements, but also on what it takes to prepare us well for facing the challenges ahead. We need to remain competitive in today's fast-changing business environment, and be vigilant and ready to embrace the opportunity that prevails in the market. The next twenty years will require a different set of thinking from us – new ways of working, of approaching innovation and of building a technology-driven commercial platform.

Twenty years after our founding, Jacobson remains a focused and forward-looking player in the pharmaceutical arena in Hong Kong. Boasting a broad portfolio of essential and specialised generics as well as an array of proprietary brands, we are a recognised leader in both private and public segments. This, complemented by the strength of our sales and distribution arm, gives us a distinctive and fully-integrated business model that is well-suited to leverage our core competences and support future growth.

2018 was a year of consolidation as we carefully integrated the newly acquired businesses into our core operations. Our management teams had made tremendous efforts in maximising the synergies amongst these units. Jacobson's overall business continued to deliver solid results with a 23.3% growth on revenue and a 20.7% growth on adjusted EBITDA in FY2018. Our performance was driven by the execution of our balanced business strategies that focused on delivering results across our generics and proprietary medicine businesses.

Prospect

Powered by this growth momentum, we continued to invest in expanding our generic drug and proprietary medicine product portfolios and pipelines, integrate our operational capabilities and explore opportunities through in-licensing, strategic alliances and acquisitions.

1. 2018 demonstrated the strength of our scientific and regulatory capabilities to bring complex generics to market. We realised some of those opportunities incubated over the last few years, including the key product approvals like the central nervous system drug Quetiapine extended-release tablet, anti-viral drugs like Lamivudine/Zidovudine combination and cardio-vascular drugs like Irbesartan, Atorvastatin and Ezetimbe.

2. Throughout the past year, we took steps to leverage our capabilities across the geographic boundaries, expanding our ability and enhancing our readiness to participate in more markets. We now operate our own sales and marketing office in Macau with over 200 products already selling in there. An investment was made in Cambodia aiming to register an array of generics and proprietary medicines to exploit the emerging potential in ASEAN markets such as Vietnam and Myanmar. Our goal is to leverage our differentiated product portfolio and marketing knowhow and build a strong position of Jacobson's products in all of these new markets.

3. Biosimilars and biologics will represent a major opportunity in the future. With rising cost pressure in the healthcare system for the treatment of cancer and auto-immune diseases alike, there will be a growing demand for high quality and clinically-substantiated alternatives. We have taken steps to ensure our ability to participate in this arena. As a result of the in-licensing framework agreement arrangement with Shanghai Henlius Biotech Inc, we will gain the right to commercialise a proprietary biosimilar product (a biosimilar version of Trastuzumab) in Hong Kong and Macau as well as the right of first negotiation to commercialise the product in certain ASEAN markets. We aim to build a sustainable commercial platform across Hong Kong and ASEAN domains to reinforce our sales and regulatory competence in the marketing of biosimilars and biologics. Our goal is to make Jacobson a preferred choice of partner in these regions.

Strategies for continued long-term growth

Few years ago, we set a goal to build a regional company in Asia specialising in generic and proprietary medicines that would be well-positioned for sustainable long-term growth.

Today we have forged a sound business model that is poised for a broadened geographic footprint, a vertically-integrated supply chain with ability to develop and manufacture product in multiple dosage forms coupled with a disciplined R&D capability. To achieve our strategic objectives in 2019 and beyond, our priorities are clear comprising the five growth pillars:

1. continue to execute integration activities to further optimise our cost structure, and to strategically reinvest in our business especially in areas such as sales and brand management competence;

2. leverage our expanded geographic footprint to sustain a commercially competitive platform in the Pan-Asia region;

3. maximise the potential of our R&D capabilities by continuing to focus on high value product opportunities and accelerating our speed to market;

4. maintain a sharp focus on building a portfolio of biosimilar and biologic products. By building a sound commercial platform on marketing and regulatory affairs management, we aim to become the preferred choice of partner in this arena when it comes to in-licensing or business representation of biosimilars; and

5. pursue business development initiatives including mergers and acquisitions and in-licensing opportunities that expand our regional commercial presence, bring us new products and technologies, and complement our organic growth strategies.

As we look ahead to 2019, I expect we will continue to face new challenges as well as opportunities in the marketplace. I am confident that our dedicated management team will deliver well on the growth strategies. We are committed to building on our commercial strengths, maximising our ability to invest in opportunities, and retaining the best talent in the industry, and I remain adamantly positive that Jacobson will continue to do well by doing good.

Appreciation

Last but not the least, I wish to thank all Jacobson staff and associates for their creativity, energy and engagement. I also want to thank our board of directors for their support and guidance over the years, and you – our shareholders – for your continued confidence in Jacobson.

Sincerely,

Sum Kwong Yip, Derek
Chairman and CEO
JACOBSON PHARMA CORPORATION LIMITED

Hong Kong, 25 June 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Generic Drugs

Continued Growth of Our Market Position

The Generic Drugs business of the Group continued to grow steadily at 7.4% in sales revenue in FY2018, accounting for HK$1,178.8 million as compared to HK$1,097.6 million in financial year ended 31 March 2017 ("**FY2017**"). The private and public sectors posted a sales revenue of HK$806.8 million and HK$372.0 million respectively during the Reporting Period.

The Group saw solid sales growth for its central nervous system and respiratory categories at 20.5% and 36.0% respectively, whilst the ophthalmic preparations and dermatological products also posted an encouraging growth of 14.9% and 20.0% respectively in the public sector during the Reporting Period. Losartan and Gliclazide performed well with a respective sales growth of 48.0% and 20.7%. In addition, we also secured new tenders for Ursodeoxycholic Acid Capsule, Zolpidem Tablet, Amisulpride Tablets and Risperidone Tablets, along with Lamivudine Tablet 150mg which was awarded as the first generic in the public sector. On the other hand, attributing to pricing pressure, some cardiovascular products in the public sector such as Lisinopril Tablets and Amlodipine Tablets recorded a decline of 4.0% and 17.4% in sales revenue. The overall generic drug sales performance was also hampered by the decline in antibiotics sales in the private sector owing to a change of prescribing habit by doctors along with a negative impact from temporary supply disruptions on certain product lines during the product consolidation processes amongst our manufacturing operations.

As a major player in generic medicines in Hong Kong, the Group has been taking a strong market position in a number of the high growth therapeutic categories and has progressively introduced new products under its R&D pipeline to tap growth potential in respective categories. During the Reporting Period, the Group has secured the registration approvals of a number of products including Rosuvastatin, Ezetimibe, Irbesartan and Telmisartan of the cardiovascular class, Quetiapine and Aripiprazole of the central nervous system class, Celecoxib of the analgesic class and Lamivudine/Zidovudine combination product of the antiviral class. This broadened product offerings will add strength to our portfolio for driving our sales and volume growth in the generics segment, especially for drugs being indicated for chronic diseases treatment in the public sector.

In a bid to alleviate the strain in the public healthcare system, the General Outpatient Clinic Public Private Partnership Program has been rolled out aiming at diverting public patients to private clinics under a subsidised scheme of consultation for both chronic and episodic illnesses, which will extend its coverage to 18 districts of Hong Kong by 2018-2019. As a major generic drugs supplier to both the public and private sectors, the Group is poised to tap such market opportunities and expand its product penetration into both sectors. Currently our Group is supplying approximately 34 items to more than 250 private doctors participating in the above-mentioned program.

Integrated and Streamlined Production for Enhanced Capability and Capacity

Steady progress has been made on streamlining our production processes among the Group's manufacturing facilities for enhanced efficiency and productivity. During the Reporting Period, all of our manufacturing units operated effectively with a steady rise in production output. There were 2,764 million of tablets and capsules, 2,765 thousand liters of oral liquid and 298 tonnes of cream products produced, representing a respective increase of 6.0%, 1.5% and 36.9% versus the same period in FY2017, despite the temporary disruptions due to regulatory clearances in the transfer of products among our manufacturing plants, especially during the second half of the Reporting Period.

Equipped with machinery that caters for high production output, the Group has been able to ramp up its solid dosage and liquid output by 50.5% and 288.0% respectively at our Synco plant in the second half of the Reporting Period with the help of a robust operation management system. This new plant produced a total of over 600 million tablets and 250,000 liters oral liquid during the Reporting Period, which accounted for about 23.2% (FY2017: 6.7%) and 9.4% (FY2017: 2.0%) of total respective output of all our manufacturing facilities in FY2018, contributing to the continued optimisation of utilisation rate across the facilities.

The Group is the only active manufacturer in Hong Kong for certain specialised dosage forms such as sterile eye drops, suppositories, and enemas. Augmenting an increase of over 100% to the Group's sterile eye-drops production capacity, our PIC/S GMP compliant sterile eye-drops production facilities produced a total of over 4.5 million bottles of eye-drops during the Reporting Period, representing an increase of over 100% against FY2017.

Digitised Platform Transforming Sales and Supply Chain Competence

In our continued pursuit for the enhancement of our sales competence and operational excellence, we have further strengthened the understanding of and connection with our customers through our centralised customer relationship management platform providing constant tracking and analytics of customer purchase records, profiles, and preferences.

We successfully completed the first phase implementation of an advanced cloud-based customer relationship management ("**CRM**") system developed by a global leading provider Salesforce.com. Empowered with the mobile ordering capabilities, our sales teams can access inventory information and place orders in the field with boosted efficiency and productivity by the significant time reduction of the order processing cycle.

Transiting into the second phase of the system implementation, we aim at improving the efficiency and effectiveness of our sales team in targeting potential customers with sales call planning and territories management capabilities. This advanced phase of the system also enhances sales management capabilities in targets setting and monitoring via this digitised multi-purpose CRM platform, so as to maximise sales generation potential.

To capitalise on the advantages of an online sales platform leveraging on our diverse portfolio and broad customer base, we have also taken active steps in exploring and developing an e-commerce model to facilitate direct electronic order placement from customers in order to further enhance our customer service and management capabilities.

Prospective Growth Platform for Specialty Drugs and Biopharmaceuticals

Persisting in our drive to explore and expand market coverage in strategically selected markets in Asia Pacific, we have entered into collaborative framework agreements with different strategic partners in Korea and Taiwan, covering in-licensing and technology transfer of high-end generic drugs and biosimilars, and representation of finished branded products in the region.

The global market for biosimilars is projected to grow at a significant rate in coming years. Biosimilars, the follow-on version of off-patent biologics offering a more affordable therapeutic option to patients with many disabling and life-threatening diseases, are reaping high attention from the market for its cost saving benefit to the healthcare systems. Current market size of biologics in Hong Kong is about HK$1.5 billion and Trastuzumab alone accounts for HK$250 million in sales.

To swiftly tap into the fast-growing biosimilar market in Hong Kong and certain emerging ASEAN markets, the Group entered into a licensing framework agreement with a subsidiary of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. namely, Shanghai Henlius Biotech Inc., for an exclusive right to develop and market a propriety biosimilar product, Recombinant Humanised Anti-Her2 Monoclonal Antibody Injection (biosimilar version of Trastuzumab) in Hong Kong and Macau, in association with a right of first negotiation to commercialise the product in certain emerging markets within ASEAN region. As of the date of signing of the agreement, the product for the indication of breast cancer has officially entered phase III trial. Also, at the beginning of 2016, Shanghai Henlius received CFDA approval for clinical trials of the product for the indication of gastric cancer.

On broadening our portfolio of specialty drugs, we have also signed an in-licensing agreement for a specialised anti-viral drug for manufacturing and exclusive distribution right in Hong Kong and other Asian markets such Thailand, Vietnam, Cambodia, Malaysia, Myanmar, and Philippines.

Moreover, the Group has continued its strategy and effort on developing the market in Macau. Propelled by the expanding product offerings in the market, our dedicated sales team have geared up on their direct selling of a broad suite of products to doctors and dispensaries, successfully deepening our penetration to maximise the sales potential of the market. Benefitting from the new development of Guangdong-Hong Kong-Macao Greater Bay Area and the anticipated growth in trade and traffic across the region, Hong Kong and Macau will play a more active role in terms of presenting wide choices of drugs and proprietary medicines to the population in the Greater Bay Area.

Proprietary Medicines

Strong Brand Positions and Sustainable Growth

Contributing a steadily growing revenue, the Proprietary Medicines segment of the Group achieved a sales of HK$192.2 million during the Reporting Period, representing an increase of 21.3% as compared with HK$158.4 million for FY2017.

The retail sector in Hong Kong has seen a considerable slow-down in recent years as the consumption expenditure of overnight visitors from mainland China has dropped for four consecutive years since 2013, albeit a sign of resurgence in 2017. Although Po Chai Pills' growth momentum in Hong Kong has also been hampered during the Reporting Period, its sales in chain-store channel posted a notable growth, mainly attributable to our persistent marketing and brand building efforts on strengthening its competitive positioning and appeal to the broader consumer groups, along with its robust distribution and sales support. Riding on the social media platform to extend the brand's reach to the younger consumers, the online adverting campaign "Po Chai Pills x Angela Yuen" launched during the Reporting Period proved to be a hit, serving the objectives of product education and creating a contemporary appeal of the brand among the younger segment. Such brand rejuvenation efforts for Po Chai Pills have also received positive feedback from markets in Malaysia and Singapore.

Puji Pills, with its over-the counter classification status and recent relaunch in the China market, has picked up its sales momentum under the distributorship with two respective distributors in Guangdong and Yunnan provinces. Sales of Puji Pills rose from HK$2.3 million in FY2017 to HK$8.0 million in FY2018. Continuous marketing and business development activities for Puji Pills will be actively carried out by leveraging the high brand awareness of Po Chai Pills and the extensive distribution network and experience of our distribution partners.

On the front of overseas market development, the progress of product registrations for Po Chai Pills in emerging ASEAN markets, such as Cambodia and Vietnam, has been progressing well, and we expect to secure the approval in coming 12 months.

Ho Chai Kung, the newly acquired household brand of the Group and enjoying a strong brand recognition in the analgesics (pain control) category in Hong Kong, Macau and Southern China markets, posted a contribution of HK$73.8 million in revenue to our Proprietary Medicine business during the Reporting Period.

Furthermore, Shiling Oil, another well-recognised proprietary medicine brand acquired by the Group, has completed its transfer of product license to our existing plant and resumed normal production, contributing HK$5.3 million in sales revenue during the Reporting Period.

Product Development

Measured and Disciplined Approach to Maximise R&D Return

The Group takes a measured and disciplined approach to R&D with a focus on specialised formulations.

We continued to make good progress with our product pipeline. During the Reporting Period, total eight products were successfully registered, including recently off-patent central nervous system drug Quetiapine Extended Release Tablet; Cardiovascular drug Trimetazidine Dihydrochloride Modified Released Tablet 35mg, Ezetimibe Tab 10mg and Atorvastatin Calcium Tab. As of the date of this announcement, fourteen other new products have completed the development process and testing and have been submitted for approval by Department of Health.

In addition, twenty-four products have finished the formulation development process and are currently undergoing stability study and test, which will be ready for registration filing in about 6 months at the date of the announcement. Furthermore, forty-seven products are under the developing stage in our R&D product pipeline, as of the date of this announcement.

Developing Innovative Technologies and Diagnostic Tools

The Group actively explores collaborations with local and overseas research and academic institutions for technology developments and has undertaken several collaborative projects with local and overseas R&D institutions and companies.

Technology Transfer of an Innovative Non-invasive Technology in Prostate Cancer Screening

During the Reporting Period, we have signed a heads of terms with a university spin-off company on the collaborative development of an innovative, non-invasive, accurate diagnostic test of prostate cancer. The collaboration includes the conduct of clinical trials, in-licensing of the technology, scale-up manufacturing, registration, and product commercialisation for global market delivery. A multi-center clinical trial is being undertaken on the comparative study of the innovative technology with the "gold standard" test in clinical practice, i.e., blood prostate-specific antigen ("**PSA**") level.

This innovative technology aims to provide a reliable alternative of blood PSA level testing in a medical laboratory setting, with the benefits of better patient experiences.

According to Hong Kong Cancer Registry, prostate cancer is among the top 3 cancers with most new cases and top 5 cancers with greatest mortality in men. This innovative technology aims to fill the gap by providing doctors and patients with a more accurate, non-invasive, sensitive and easy-to-use solution for early detection of the disease.

Collaboration Project with HKIB

During the Reporting Period, the modeling and optimisation process has been completed under the project, which will be scaled up to production site for further study in the second phase before the implementation for actual manufacturing process.

The collaboration project with HKIB for "Real-time Monitoring and End Point Determination of Pharmaceutical Powder Blending in Both R&D and Manufacturing by Near-Infrared Spectroscopic (NIRS) Technology" is a government-funded research project for real-time quality control of manufacturing process, being a new pharmaceutical production technology in Hong Kong which can largely enhance the product quality and efficiency of the manufacturing process.

To further invest in the advanced manufacturing platform technology, a new collaboration project with HKIB was submitted for Innovative & Technology Funding Application. The project will study and explore the technology on the usage of Confocal Raman Microscope on specified manufacturing processes for providing the capability to precisely control and manage the manufacturing process to make sure the complicated formulation, ingredient distribution, and specified in-vivo efficacy can be achieved.

Collaboration with Powder Pharma Coating Inc

We have achieved good progress in our collaborative works on formulation and process developments of the project for the commercial manufacturing of some selected high-value product by using this advanced Electrostatic Coating technologies.

The collaboration can provide a cost-effective solution for manufacturing of some sophisticated coating formulation and manufacturing process, enabling us to apply this new technology to manufacture some "difficult to make" products at lower cost as opposed to conventional techniques.

Collaboration with NAMI

During the Reporting Period, we have tested the commercialised product on extended target subjects, preparing for its clinical studies on the early diagnosis of Alzheimer's disease in collaboration with external parties.

This collaborative research project with NAMI on "Novel Nanoparticles for Pre-clinical Diagnosis for Early Alzheimer Detection and Drug Development" has achieved encouraging progress and recognition since its launch in June 2016 with the winning of the Gold Medal Award at the 45th International Exhibition of Inventions of Geneva.

Derived from the project, a newly commercialised product patent-filed and trademarked as "NanoAZD™" was launched in April 2017. The product was first promoted at the Alzheimer's Association International Conference in London in July 2017 with encouraging feedback and was highly recognised for its potential on clinical applications because of the technological breakthroughs and its safe nature.

Remuneration Policy

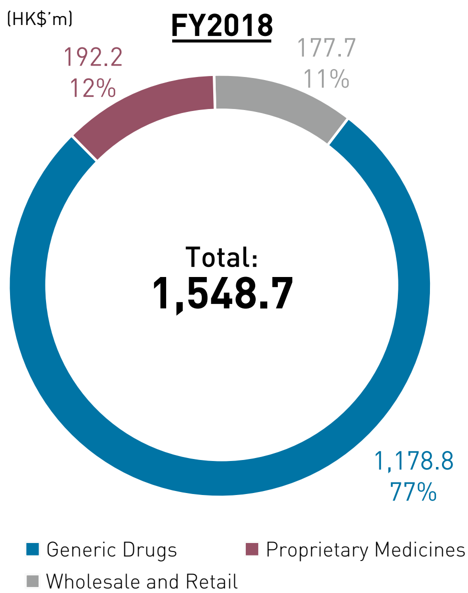
As of 31 March 2018, the Group had a total of 1,743 employees. For the Reporting Period, the total staff cost of the Group was HK$417.1 million as compared to HK$377.9 million for the year ended 31 March 2017. All the Group's employees have entered into standard employment contracts with the Group. Remuneration packages for the Group's employees in general comprise one or more of the following elements: basic salary, productivity-related incentives and work performance-related bonus. The Group sets out performance attributes for its employees based on their positions and job functions. It periodically reviews their work performance against the Group's strategic objectives and targets. The results of such reviews are used in salary adjustments, bonus awards, promotion justifications, development plan and training need analysis. The Group provides various benefit schemes to its employees including annual leave entitlement, pension fund, medical insurance and life insurance. Union has been established for the Group's employees in China according to local labour laws. As of 31 March 2018, the Group did not experience any strikes or any labour disputes with its employees which would have or likely to have a material effect on its business.

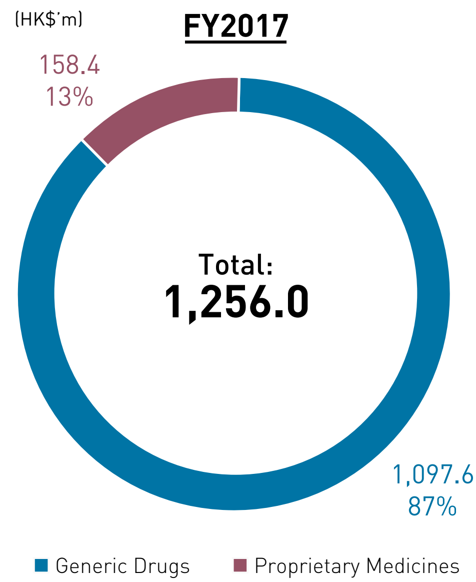
The Group places high values on recruiting, developing and retaining its employees. It maintains high recruitment standards, provides competitive compensation and benefit packages to attract and retain employees. The Group also emphasizes on training and developing employees. In addition to different skill and knowledge based in-house training programs, the Group has training sponsorship policy to encourage its employees to attend external training for enhancing their job competencies.

FINANCIAL REVIEW

REVENUE

Revenue by Operating Segments



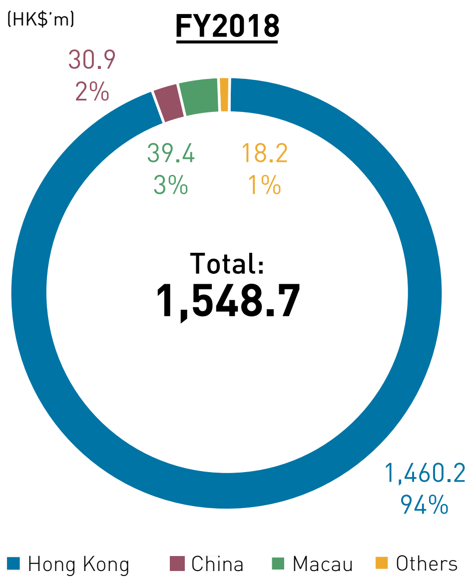


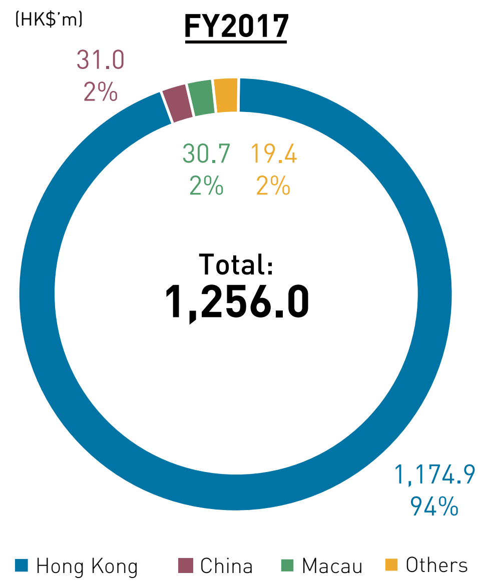
The increase in revenue of HK$292.7 million or 23.3% compared to FY2017 was contributed by the increase in revenue of HK$81.2 million in Generic Drugs, HK$33.8 million in Proprietary Medicines as well as HK$177.7 million from the new Wholesale and Retail segment. Revenue split of the three segments are at the ratio of 77%, 12% and 11%.

In Generic Drugs segment, the increase reflected the higher revenue from both Public Sector and Private Sector, amounted to HK$27.3 million and HK$53.9 million respectively. The growth of revenue in Public Sector was primarily attributed to new tenders business including Ursodeoxycholic Acid Capsules, Simvastatin Tablets, etc., along with the contributions from Medipharma. The growth in Private Sector mainly reflected the rise in average selling price.

In Proprietary Medicines segment, the increase in revenue was mainly contributed by the increase in sales of Ho Chai Kung brand products of HK$48.6 million and Shiling Oil.

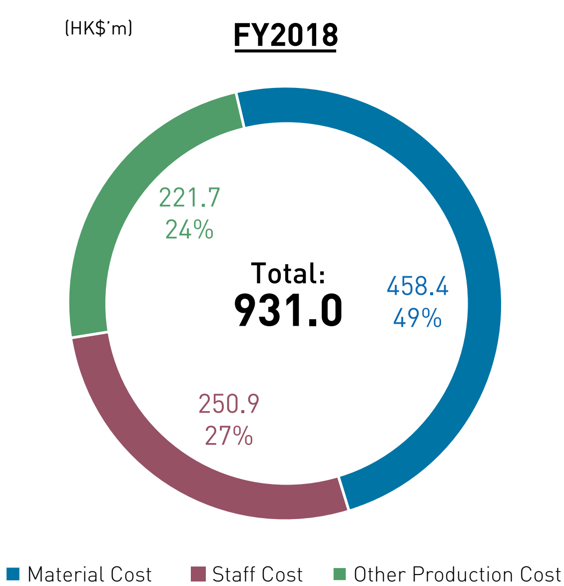
Revenue by Geographic Location

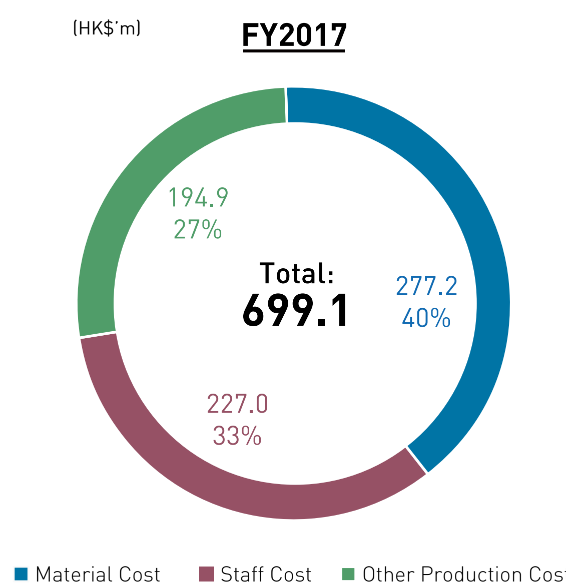




Hong Kong continued to be the major revenue stream, representing 94% of the total revenue and contributed an increase in revenue of HK$285.3 million. The revenue in the Mainland China slightly decreased by HK$0.1 million principally due to the softening of sales of Flying Eagle Woodlok Oil offset by the increase in sales of Puji Pills. The revenue increase in Macau by HK$8.7 million was mainly contributed by Ho Chai Kung brand products and an expanded sales base for Generic Drugs. The slight decrease in revenue from other overseas market was mainly due to the decrease in sales in Malaysia while was offset by the increase in sales in Canada and South America.

Cost of Sales



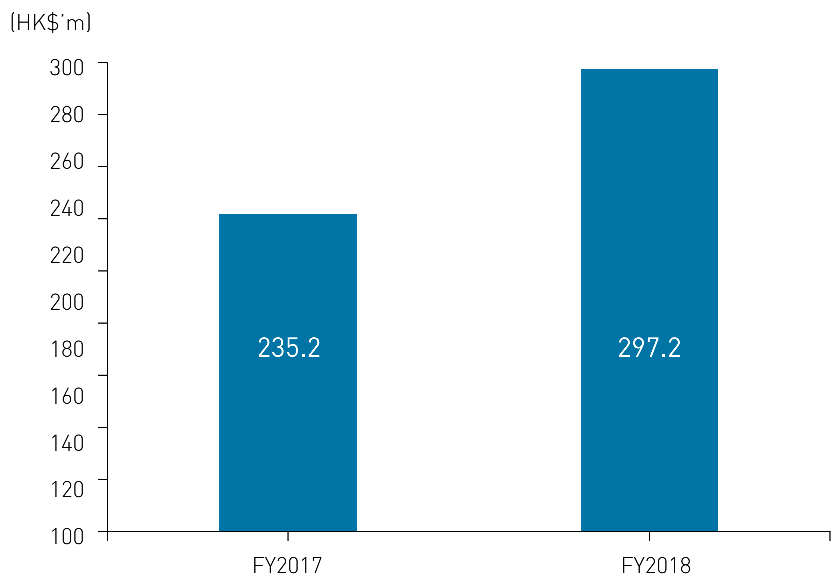


Material cost continued to be the major component in the cost of sales which contributed to approximately 49% of the total cost of sales. The increase in weighting reflected the addition of the new segment of Wholesale and Retail.

The increase in staff cost of HK$23.9 million or by 10.5% reflected the increase in number of headcount primarily due to acquisitions made in the latter half of the previous financial year as well as salary increment.

The increase in other production cost reflected mainly the additional depreciation and amortisation as well as the use of consumables arising from the commencement of the production at the new manufacturing plant and acquisitions.

Profit from Operations



The profit from operations rose from HK$235.2 million to HK$297.2 million or by HK$62.0 million or 26.4%. The enhancement in the profit from operations was principally contributed by the increase in gross profit and other income of HK$60.8 million and HK$7.7 million respectively and the decrease in administrative and other operating expenses of HK$15.2 million while offset by the increase in selling and distribution expenses by HK$21.7 million.

The decrease in administrative and other operating expenses is mainly due to one-off listing expenses of HK$22.6 million incurred in FY2017 while offset by the amortisation of share options value amounted to HK$9.7 million during the Reporting Period.

The increase in selling and distribution expenses is mainly due to the acquisitions made in the latter half of the previous financial year and in the Reporting Period.

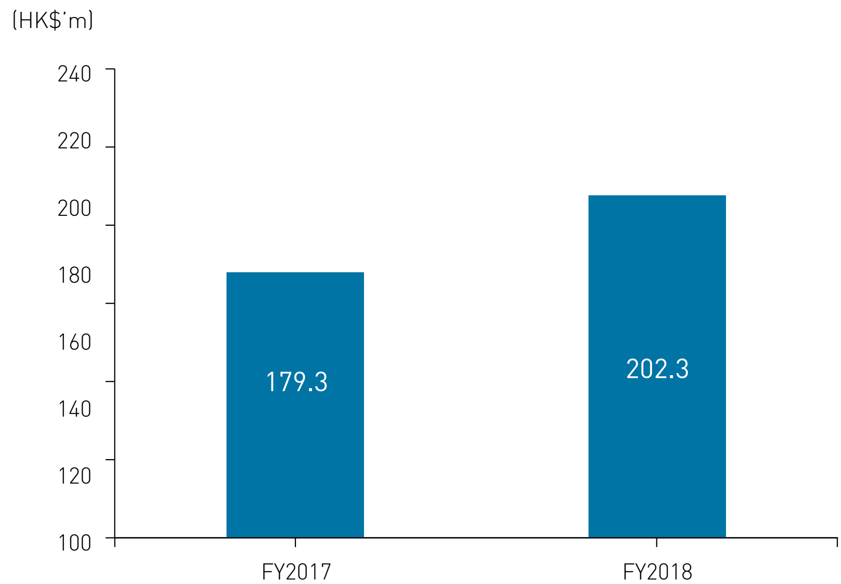
Finance Costs

The increase in finance costs mainly reflected the issuance of convertible notes in the Reporting Period and the effect of cessation of interest capitalisation due to the completion of the construction of new plant in Tai Po Industrial Estate after its commencement of production.

Income Tax

The increase in income tax principally reflected the higher profit before taxation generated. The effective tax rate remained stable in Reporting Period and the previous financial year.

Profit Attributable to Shareholders



The increase in profit attributable to shareholders reflected the increase in profit from operations offset by the additional finance costs and income tax.

Assets

Property, plant and equipment

The decrease in property, plant and equipment principally reflected the depreciation of HK$85.1 million and offset by the additions of HK$60.0 million.

Intangible assets

The increase in intangible assets reflected principally the intangible assets recognised as a result of the acquisition of Hong Ning Hong Group and the capitalisation of development costs during the Reporting Period.

Inventories

The increase in inventories mainly represented respective inventories being consolidated after the acquisition of Hong Ning Hong Group as well as the increase in inventories following the commencement of new production plant.

Cash and cash equivalents

The increase in cash and cash equivalents reflected proceeds from the issuance of convertible notes, which was mainly offset by the use of proceeds mainly in merger and acquisitions.

As at 31 March 2018, around 65.1% of cash and cash equivalents were denominated in Hong Kong dollars (as at 31 March 2017: 98.9%), while the remaining balances were denominated in United States dollars, Renminbi and Singapore dollars.

Liabilities

Bank loans

The decrease in bank loans from HK$937.5 million as at 31 March 2017 to HK$903.9 million as at 31 March 2018 represented certain settlements of bank loans while offset by the additions of bank loans principally for merger and acquisition and capital investment during the Reporting Period.

As at 31 March 2018, all the bank loans of the Group were denominated in Hong Kong dollars.

USE OF PROCEEDS

Net proceeds of HK$695.5 million were raised from the initial public offering of the Company (included proceeds from the over-allotment option exercised by the underwriter amounted to HK$98.4 million and after the deduction of underwriting fees, commissions and expenses paid by us in connection with the initial public offering). The following table sets out the proposed application of the net proceeds and the actual usage up to 31 March 2018:

	Proposed application *HK$'000*	**Actual usage up to 31 March 2018** *HK$'000*
Acquisitions – Expansion of businesses in Generic Drugs and Proprietary Medicines	139,108	139,108
Acquisitions – Enhancement of distribution network	104,331	8,000
Acquisitions – Intangible assets	69,554	69,000
Capital investments – Upgrading of manufacturing plants and facilities	113,197	101,300
Capital investments – Two specific automated production facilities	12,000	12,000
Expansion of bioequivalence clinical studies	94,331	15,630
Establishment of a new joint R&D centre with HKIB	10,000	1,533
Marketing and advertising	83,465	33,593
General working capital	69,554	68,022
	695,540	448,186

Net proceeds of HK$490,352,000 were raised from the issuance of convertible notes (after the deduction of all related fees and expenses paid by us in connection with the convertible notes of HK$9,648,000). The net proceeds are intended to be used for funding potential merger and acquisitions as well as forming strategic alliances in the Asia Pacific region. The proceeds will also be used for supporting in-licensing and direct investment on technologically-oriented bio-pharmaceutical projects. The actual usage up to 31 March 2018 was HK$125,585,000.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

The Group consistently adheres to conservative fund management. The solid capital structure and financial strength continue to provide a solid foundation for the Group's future development.

The Group's primary uses of cash are to fund working capital and capital expenditures. During the Reporting Period, the Group funded its cash requirements principally from cash generated from operations and funds raised from the Listing, bank borrowings and the issuance of convertible notes.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

Please refer to note 12 for a significant acquisition made after the Reporting Period. The Group did not have any other material acquisitions or disposals after the Reporting Period.

CHARGE ON GROUP ASSETS

The carrying value of assets pledged against bank loans increased from HK$409.3 million as at 31 March 2017 to HK$464.0 million as at 31 March 2018, which was mainly due to investment properties acquired during the Reporting Period amounted to HK$62.0 million were pledged for bank loans to facilitate related acquisitions.

NET GEARING RATIO

The net gearing ratio of the Group (bank loans and convertible notes less cash and cash equivalents, divided by total equity multiplied by 100%) increased from 32.6% as of 31 March 2017 to 34.6% as of 31 March 2018. The increase in net gearing ratio was attributable to the issuance of convertible notes in the Reporting Period.

FINANCIAL RISK ANALYSIS

Management considered that the Group did not have significant exposure to fluctuation in exchange rates and any related hedges.

CONTINGENT LIABILITIES

As of 31 March 2018, the Group did not have any significant contingent liabilities.

CORPORATE GOVERNANCE HIGHLIGHTS

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as its own code of corporate governance.

During the Reporting Period, the Company has complied with all the code provisions of the CG Code and adopted most of the best practices set out therein, except for the following provision:

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Currently, Mr. Sum Kwong Yip, Derek is the chairman of the Board and the chief executive officer of the Company and accordingly, there is no written terms setting out the division of responsibilities between the chairman and chief executive. The Board considers that Mr. Sum is the founder of the Group and had been managing the Group's business and overall strategic planning since its establishment, the vesting of the roles of chairman and chief executive officer in Mr. Sum is beneficial to the business prospects and management of the Group by ensuring consistent leadership within the Group and enabling more effective and efficient overall strategic planning for the Group. The Board also considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively.

The Board will continue to review and consider splitting the roles of chairman of our Board and the chief executive officer of the Company at an appropriate time, taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions of the Directors. Having made specific enquiry with the Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the Reporting Period.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**") which comprises three independent non-executive Directors, namely Mr. Young Chun Man, Kenneth (Chairman), Dr. Lam Kwing Tong, Alan and Professor Wong Chi Kei, Ian. The primary duties of the Audit Committee include reviewing and supervising the Group's financial reporting process, internal control and risk management systems, preparing financial statements and internal control procedures. It also acts as an important link between the Board and the external auditor in matters within the scope of the group audit. The Audit Committee, together with the management of the Company, has reviewed the annual results of the Group for the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities throughout the Reporting Period.

PUBLICATION OF THE 2018 ANNUAL RESULTS ANNOUNCEMENT AND THE 2018 ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.jacobsonpharma.com). The 2018 Annual Report containing all the information required by the Listing Rules will be published on the respective websites of the Stock Exchange and the Company and will be dispatched to the shareholders of the Company in due course.

FINAL DIVIDEND

The Board recommends to declare a final dividend of HK2.9 cents per share for the FY2018 (2017: final dividend of HK1.4 cents per share), subject to the approval of shareholders at the forthcoming annual general meeting of the Company to be held on 7 September 2018 (Friday) ("**2018 AGM**"), which is expected to be paid on 27 September 2018 (Thursday) to shareholders whose names appear on the register of members of the Company on 17 September 2018 (Monday), being the record date for determining shareholders' entitlement to the proposed final dividend. Including the interim dividend of HK0.9 cent per share paid on 19 December 2017, the total dividend for the FY2018 amounts to HK3.8 cents per share (2017 total dividend: HK2.2 cents per share). The details of final dividend of the Group are set out in note 8 of this announcement.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of shareholders of the Company to attend and vote at the 2018 AGM, the register of members of the Company will be closed from 4 September 2018 (Tuesday) to 7 September 2018 (Friday), both days inclusive, during which period no transfer of shares of the Company will be registered. All transfer documents, accompanied by the relevant share certificates, shall be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 3 September 2018 (Monday) for registration.

In order to determine the entitlement of shareholders of the Company to receive the final dividend, the register of members of the Company will be closed from 14 September 2018 (Friday) to 17 September 2018 (Monday), both days inclusive, during which period no transfer of shares of the Company will be registered. All transfer documents, accompanied by the relevant share certificates, shall be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 13 September 2018 (Thursday) for registration.

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

Hong Kong, 25 June 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.

GLOSSARY

In this announcement, unless otherwise specified, the following glossary applies:

"2018 Annual Report"	the annual report of the Company for the year ended 31 March 2018
"adjusted EBITDA"	earnings before interest, taxes, depreciation and amortisation, where "interest" is regarded as including interest income and interest expenses and "depreciation and amortisation" is regarded as including impairment losses on non-current assets, further adjusted for non-recurring items not attributable to the operations of individual segments
"adjusted EBITDA margin"	adjusted EBITDA divided by revenue and multiplied by 100%
"ASEAN"	The Association of Southeast Asian Nations
"Board"	the Board of Directors
"CG Code"	Corporate Governance Code as amended from time to time contained in Appendix 14 to the Listing Rules

"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this annual results announcement, Hong Kong, Macau Special Administrative Region and Taiwan
"Company" or "our Company" or "the Company"	Jacobson Pharma Corporation Limited, an exempted company incorporated in the Cayman Islands with limited liability on 16 February 2016
"depreciation and amortisation"	is regarded as including impairment losses on non-current assets, further adjusted for non-recurring items not attributable to the operations of individual segments
"Director(s)"	the director(s) of the Company
"FY2018" or "Reporting Period"	the year ended 31 March 2018
"GMP"	Good Manufacturing Practice, a set of detailed guidelines on practices governing the production of pharmaceutical products designed to protect consumers by minimising production errors and the possibility of contamination
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKIB"	Hong Kong Institute of Biotechnology
"Ho Chai Kung Group"	Subsidiaries which are engaged in manufacturing and sales of generic drugs and proprietary medicines under the brand name of "Ho Chai Kung"
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited
"Jacobson", "the Group", "our Group", "we", "us", or "our"	the Company and its subsidiaries
"Listing"	the listing of the Shares on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Main Board"	Main Board of the Stock Exchange
"Medipharma"	Medipharma Limited

"Model Code"	Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"NAMI"	Nano & Advanced Materials Institute Limited
"PIC/S"	two international instruments, the Pharmaceutical Inspection Convention and the Pharmaceutical Inspection Co-operation Scheme, which seek 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
"private sector"	refers to non-public sector
"public sector"	refers to public sector institutions and clinics in Hong Kong
"R&D"	research and development
"Share(s)"	ordinary share(s) in the capital of the Company with nominal value of HK$0.01 each
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited