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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

FINANCIAL HIGHLIGHTS

- The revenue for the six months ended 30 September 2018 amounted to approximately HK$816.3 million, representing an increase of about 9.9% as compared to that of approximately HK$743.0 million for the corresponding period of 2017.
- Profit from operations for the reporting period amounted to approximately HK$158.6 million, representing an increase of about 40.7% as compared to that of approximately HK$112.7 million for the corresponding period of 2017.
- Profit attributable to the shareholders of the Company for the same period amounted to approximately HK$97.5 million, representing an increase of about 21.4% as compared to that of approximately HK$80.3 million for the corresponding period of 2017.
- The Board recommends a payment of an interim dividend for the six months ended 30 September 2018 of HK1.5 cents per ordinary share for the total amount of approximately HK$30.2 million (six months ended 30 September 2017: HK0.9 cent).

RESULTS

The Board of the Company is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 September 2018, together with the comparative figures for the corresponding period in 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 September	
	Note	**2018**	2017
		HK$'000	*HK$'000*
Revenue	*4*	**816,260**	743,032
Cost of sales		**(497,566)**	(464,128)
Gross profit		**318,694**	278,904
Other net income	*5*	**5,480**	3,702
Selling and distribution expenses		**(83,233)**	(83,962)
Administrative and other operating expenses		**(82,297)**	(85,940)
Profit from operations		**158,644**	112,704
Finance costs	*6(a)*	**(33,252)**	(13,874)
Share of profits of associates		**1,819**	–
Profit before taxation	*6*	**127,211**	98,830
Income tax	*7*	**(23,835)**	(15,762)
Profit for the period		**103,376**	83,068
Other comprehensive income for the period			
Item that will not be reclassified to profit or loss:			
Revaluation of financial assets at fair value through other comprehensive income		**96,201**	–
Item that may be reclassified to profit or loss:			
Exchange differences on translation of financial statements of operations outside Hong Kong		**(4,096)**	1,496
Other comprehensive income for the period		**92,105**	1,496
Total comprehensive income for the period		**195,481**	84,564

	Note	Six months ended 30 September 2018 HK$'000	2017 HK$'000
Profit attributable to:			
Shareholders of the Company		**97,531**	80,329
Non-controlling interests		**5,845**	2,739
Total profit for the period		**103,376**	83,068
Total comprehensive income attributable to:			
Shareholders of the Company		**189,636**	81,825
Non-controlling interests		**5,845**	2,739
Total comprehensive income for the period		**195,481**	84,564
		HK cents	*HK cents*
Earnings per share			
Basic and diluted	*8*	**5.28**	4.42

Note: The Group has initially applied Hong Kong Financial Reporting Standard ("HKFRS") 15 and HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated.

Details of dividends payable to shareholders of the Company are set out in note 9.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2018 – unaudited

(Expressed in Hong Kong dollars)

	Note	As at 30 September 2018 HK$'000	As at 31 March 2018 HK$'000
Non-current assets			
Investment properties	*10*	**161,400**	91,000
Other property, plant and equipment	*10*	**1,008,435**	982,270
Leasehold land		**46,936**	48,041
Intangible assets		**1,079,358**	1,087,140
Interest in associates		**151,889**	12,603
Other non-current assets		**58,902**	26,510
Other financial assets		**218,419**	117,718
Deferred tax assets		**6,377**	4,191
		2,731,716	2,369,473
Current assets			
Inventories		**324,878**	316,323
Trade and other receivables	*11*	**260,028**	254,797
Current tax recoverable		**8,256**	13,829
Cash and cash equivalents	*12*	**791,402**	656,733
		1,384,564	1,241,682
Current liabilities			
Trade and other payables	*13*	**112,625**	105,553
Bank loans		**590,804**	903,872
Obligations under finance leases		**184**	184
Convertible notes		**456,853**	447,097
Current tax payable		**23,207**	4,657
		1,183,673	1,461,363
Net current assets/(liabilities)		**200,891**	(219,681)
Total assets less current liabilities		**2,932,607**	2,149,792

	Note	As at 30 September 2018 HK$'000	As at 31 March 2018 HK$'000
Non-current liabilities			
Banks loans		**228,107**	–
Obligations under finance leases		**568**	660
Deferred tax liabilities		**143,459**	141,157
		372,134	141,817
NET ASSETS		**2,560,473**	2,007,975
CAPITAL AND RESERVES	*14*		
Share capital		**20,156**	18,156
Reserves		**2,502,259**	1,957,606
Total equity attributable to shareholders of the Company		**2,522,415**	1,975,762
Non-controlling interests		**38,058**	32,213
TOTAL EQUITY		**2,560,473**	2,007,975

NOTES

1 CORPORATE INFORMATION

Jacobson Pharma Corporation Limited (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands. The Company is an investment holding company. The Company and its subsidiaries (the "Group") is principally engaged in manufacturing and trading of generic drugs and proprietary medicines. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 21 September 2016.

2 BASIS OF PREPARATION

The interim financial results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 September 2018 but are extracted from that interim financial report.

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the consolidated financial statements for the year ended 31 March 2018, except for the accounting policy changes that are expected to be reflected in the consolidated financial statements for the year ending 31 March 2019. Details of any changes in accounting policies are set out in note 3.

3 CHANGES IN ACCOUNTING POLICIES

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

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

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to timing of revenue recognition, capitalisation of contract costs, significant financing benefit obtained from customers and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 3(b) for HKFRS 9 and note 3(c) for HKFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 April 2018. Comparative information is not restated.

(b) HKFRS 9, Financial instruments

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

Upon the initial application of HKFRS 9, available-for-sale equity securities of HK$117,718,000 at 31 March 2018, which were stated at cost less impairment losses and included in other financial assets in the statement of financial position, were reclassified as financial assets at FVOCI at 1 April 2018. Management determined that the fair value of the equity securities approximated the carrying value at 1 April 2018 and accordingly, there was no adjustment to the Group's opening equity as at 1 April 2018.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit losses ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables). Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls of trade and other receivables are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Opening balance adjustment

There has been no impact on the Group as a result of this change in accounting policy.

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Accordingly, the information presented for the year ended 31 March 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The following assessments have been made on the basis of the facts and circumstances that existed at 1 April 2018 (the date of initial application of HKFRS 9 by the Group):

  – the determination of the business model within which a financial asset is held; and

  – the designation of investments in equity instruments not held for trading to be classified as at FVOCI.

(c) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sales of goods.

(ii) ***Significant financing component***

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

There has been no impact on the Group as a result of this change in accounting policy.

(iii) ***Presentation of contract assets and liabilities***

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods in the contract, then the entitlement to consideration is classified as a contract asset.

Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

There has been no impact on the Group as a result of this change in accounting policy.

(d) HK(IFRIC) 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

4 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 medicine 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 medicines 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.

(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 for the period is set out below.

	Generic drugs Six months ended 30 September		**Proprietary medicines Six months ended 30 September**		**Wholesale and retail Six months ended 30 September**		**Total Six months ended 30 September**	
	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	**595,227**	542,225	**110,743**	121,183	**110,290**	79,624	**816,260**	743,032
Inter-segment revenue	**2,171**	1,639	**920**	2,344	**–**	–	**3,091**	3,983
	597,398	543,864	**111,663**	123,527	**110,290**	79,624	**819,351**	747,015
Reportable segment profit (adjusted EBITDA)	**164,700**	125,780	**43,031**	39,794	**4,344**	2,189	**212,075**	167,763

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

	Six months ended 30 September **2018** *HK$'000*	2017 *HK$'000*
Revenue		
Reportable segment revenue	**819,351**	747,015
Elimination of inter-segment revenue	**(3,091)**	(3,983)
Consolidated revenue	**816,260**	743,032
Profit		
Reportable segment profit	**212,075**	167,763
Elimination of inter-segment profit	**(559)**	(1,520)
Reportable segment profit derived from Group's external customers	**211,516**	166,243
Interest income from bank deposits	**1,265**	31
Fair value gain on investment properties	**4,374**	2,599
Fair value gain on contingent consideration receivable	**–**	237
Depreciation and amortisation	**(58,511)**	(56,406)
Finance costs	**(33,252)**	(13,874)
Share of profits of associates	**1,819**	–
Consolidated profit before taxation	**127,211**	98,830

(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.

	Six months ended 30 September **2018** *HK$'000*	2017 *HK$'000*
Revenue from external customers		
Hong Kong (place of domicile)	**769,429**	696,832
Mainland China	**19,578**	18,927
Macau	**11,961**	16,654
Singapore	**5,357**	3,384
Others	**9,935**	7,235
	816,260	743,032

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 associates ("specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and leasehold land, 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 operations, in the case of interest in associates.

	As at 30 September 2018	As at 31 March 2018
	HK$'000	*HK$'000*
Specified non-current assets		
Hong Kong (place of domicile)	**2,448,459**	2,202,348
Mainland China	**43,740**	29,676
Macau	**104**	122
Cambodia	**14,617**	14,617
	2,506,920	2,246,763

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

For the six months ended 30 September 2018, the Group's customer base includes one customer of the 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 HK$200,100,000 (six months ended 30 September 2017: HK$184,158,000).

5 OTHER NET INCOME

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Commission income	**555**	336
Interest income from bank deposits	**1,265**	31
Net foreign exchange (loss)/gain	**(1,241)**	99
Net loss on disposal of property, plant and equipment	**(183)**	(110)
Fair value gain on investment properties	**4,374**	2,599
Fair value gain on contingent consideration receivable *(note 11)*	**–**	237
Others	**710**	510
	5,480	3,702

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 September 2018 HK$'000	2017 HK$'000
(a) Finance costs		
Interest on bank loans and other borrowings	**33,229**	13,855
Finance charges on obligations under finance leases	**23**	19
	33,252	13,874

	Six months ended 30 September 2018 HK$'000	2017 HK$'000
(b) Other items		
Amortisation		
– leasehold land	**725**	818
– intangible assets	**13,782**	12,826
Depreciation *(note 10)*	**44,004**	42,762
Write-down of inventories	**10,768**	8,011
Research and development costs (other than amortisation of capitalised development costs)	**3,410**	4,234
Equity settled share-based transactions	**3,812**	3,500

7 INCOME TAX

	Six months ended 30 September 2018 HK$'000	2017 HK$'000
Current tax	**23,908**	17,265
Deferred taxation	**(73)**	(1,503)
	23,835	15,762

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (six months ended 30 September 2017: 16.5%) to the six months ended 30 September 2018. Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of HK$97,531,000 (six months ended 30 September 2017: HK$80,329,000) and the weighted average of 1,846,226,000 ordinary shares (six months ended 30 September 2017: 1,815,625,000 shares) in issue during the reporting period, calculated as follows:

	Six months ended 30 September	
	2018	2017
	'000	*'000*
Shares of the Company issued at the beginning of the period	**1,815,625**	1,815,625
Effect of shares issued during the reporting period *(note 14)*	**30,601**	–
Weighted average number of ordinary shares in issue during the reporting period	**1,846,226**	1,815,625

(b) Diluted earnings per share

Diluted earnings per share equals to basic earnings per share for the six months ended 30 September 2018 and 2017 because the potential ordinary shares outstanding were anti-dilutive.

9 DIVIDENDS

(a) Dividends payable to shareholders attributable to the reporting period

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Interim dividend declared and paid after the reporting period of HK1.5 cents per share (six months ended 30 September 2017: HK0.9 cent per share)	**30,234**	16,341

The interim dividend 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 reporting period

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK2.9 cents per share (six months ended 30 September 2017: HK1.4 cents per share)	**58,453**	25,419

10 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

(a) Property, plant and equipment

	As at 30 September 2018 *HK$'000*	As at 31 March 2018 *HK$'000*
Cost:		
At 1 April 2018/2017	**1,293,674**	1,277,202
Additions	**11,284**	60,042
Acquisition of subsidiaries	**–**	22
Disposals	**(4,502)**	(52,346)
Transfer from investment properties	**62,000**	–
Exchange difference	**(9,965)**	8,754
At 30 September 2018/31 March 2018	**1,352,491**	1,293,674
Accumulated depreciation:		
At April 2018/2017	**311,404**	269,530
Charge for the period/year	**44,004**	85,072
Written back on disposals	**(3,763)**	(50,198)
Exchange difference	**(7,589)**	7,000
At 30 September 2018/31 March 2018	**344,056**	311,404
Net book value:		
At 30 September 2018/31 March 2018	**1,008,435**	982,270

(b) Investment properties

During the six months ended 30 September 2018, the Group acquired investment properties at a cost of HK$128,026,000 (six months ended 30 September 2017: HK$53,401,000). Investment properties of HK$62,000,000 were also transferred to property, plant and equipment following a change in use to self occupation during the period.

The valuations of investment properties at fair value as at 30 September 2018 were performed by the Group's independent valuer using the market comparison method. As a result of the valuation, a net gain of HK$4,374,000 (six months ended 30 September 2017: HK$2,599,000) has been recognised in profit or loss for the period.

11 TRADE AND OTHER RECEIVABLES

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

	As at 30 September 2018 *HK$'000*	As at 31 March 2018 *HK$'000*
Less than 1 month	**129,942**	113,372
1 to 6 months	**66,966**	74,955
Over 6 months	**7,891**	9,083
Trade receivables	**204,799**	197,410
Other receivables	**4,454**	5,661
Contingent consideration receivable*	**4,647**	3,846
Deposits and prepayments	**46,128**	47,880
	260,028	254,797

* Pursuant to the agreement in connection with the acquisition of 70% equity interest in Hong Ning Hong Limited in April 2017, the seller guaranteed to the Group that the 2018 audited net profit after tax ("Net Profit") and 2019 Net Profit ("Annual Guaranteed Profit") shall each be no less than HK$8,000,000. In the event that any of the 2018 Net Profit and 2019 Net Profit is less than the Annual Guaranteed Profit, the seller shall pay the shortfall amount to the Group on a dollar to dollar basis and the maximum aggregate shortfall amount which may be paid by the seller shall be capped at HK$5,000,000. As at 30 September 2018, the fair value of contingent consideration receivable amounted to HK$4,647,000 (31 March 2018: HK$4,647,000).

12 CASH AND CASH EQUIVALENTS

	As at 30 September 2018 *HK$'000*	As at 31 March 2018 *HK$'000*
Short-term deposits with banks	**156,460**	320,601
Cash at bank and in hand	**634,942**	336,132
	791,402	656,733

13 TRADE AND OTHER PAYABLES

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 30 September 2018 *HK$'000*	As at 31 March 2018 *HK$'000*
Less than 1 month	**19,489**	18,784
1 to 6 months	**12,598**	16,404
Trade payables	**32,087**	35,188
Salary and bonus payables	**45,069**	37,155
Payables and accruals for additions of property, plant and equipment	**1,797**	2,373
Other payables and accruals	**28,985**	28,709
Receipts in advance	**4,687**	2,128
	112,625	105,553

14 CAPITAL AND RESERVES

(a) Share capital

	Number of shares *'000*	Amount *HK$'000*
Issued ordinary shares of HK$0.01 each:		
At 1 April 2017, 31 March 2018 and 1 April 2018	1,815,625	18,156
Issue of ordinary shares	200,000	2,000
At 30 September 2018	2,015,625	20,156

On 14 August 2018, the Company entered into a subscription agreement with Yunnan Baiyao Holdings Company Limited# (雲南白藥控股有限公司) ("Yunnan Baiyao") in respect of 200,000,000 new ordinary shares at the subscription price of HK$2.06 per share. The Company completed the issuance of the ordinary shares to Yunnan Baiyao on 3 September 2018. Net proceeds from such issue amounted to HK$411,658,000 (after the deduction of share issuance costs of HK$342,000) of which HK$2,000,000 and HK$409,658,000 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.

English name for identification purpose only

(b) Equity settled share-based transactions

On 19 April 2017, pursuant to the Share Incentive Scheme adopted by the Company on 30 August 2016, an executive director of the Company was granted share awards entitling him to acquire an aggregate of 6,000,000 ordinary shares of the Company from the trustee of the Share Incentive Scheme and vested on 21 April 2017. All the share awards granted were vested during the six months ended 30 September 2017 and there was no outstanding share awards granted as at 30 September 2017 and 2018.

On 30 June 2017, 36,000,000 share options were granted at a consideration of HK$1 to certain employees, including certain executive directors of the Company and certain directors of subsidiaries of the Company, under the Company's employee share option scheme. Each option gives the holder the right to subscribe for one ordinary share of the Company. These share options are valid and exercisable within a validity period from 1 October 2017, 2018 and 2019 up to 30 September 2018, 2019 and 2020 respectively in three tranches. The exercise price is HK$2.06 per share, being the closing price of the shares of the Company as stated in The Stock Exchange of Hong Kong Limited's daily quotations sheets on the date of grant. 500,000 options were lapsed and no options were exercised during the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

On 18 October 2017, 1,000,000 share options granted at a consideration of HK$1 to one employee, under the Company's employee share option scheme. Each option gives the holder the right to subscribe for one ordinary share of the Company. These share options are valid for three years commencing from 18 October 2017 up to 17 October 2020 and are exercisable subject to the vesting date on 1 April 2018. The exercise price is HK$2.13 per share, being the average of the closing prices of the shares of the Company as stated in The Stock Exchange of Hong Kong Limited's daily quotations sheets for the five business days immediately preceding the date of grant. No options were exercised during the six months ended 30 September 2018.

LETTER TO SHAREHOLDERS

Dear Shareholders,

Just around two months ago we celebrated the 20th anniversary of Jacobson with our long-serving management staff. Whilst we spent the evening reminiscing the past, the event was more focused on the future. We talked a lot about how the scientific and technological advances would impact upon the market dynamics of the healthcare industry, and how one should seize the opportunities and take the lead in this burgeoning field of technologies.

No doubt we are in a challenging and fast-changing environment. With the fundamental advances in science and technology, we expect to see some material shift in the way the industry operates; the way we use data and analytics to develop new formulations and genomic-based medicines, and the way we interact with patients, consumers and healthcare professionals. As life-threatening and chronic diseases such as cancer, auto-immune disorders, cardiovascular and diabetes are getting prevalent, the demand for healthcare services and innovative medicines is more intense than ever.

The good news is that this market is full of opportunities, first and foremost with the breakthroughs and advances in science, perhaps most notably in genomics and also some exciting new frontiers such as clinical diagnostics and biologics. As we strengthen the Company to forge a platform for future success, we must make sure that we drive the performance through creating sustainable strategic values upon our core businesses. In this regard, R&D output and in-licensing capabilities are deemed as the growth drivers over the next few years, and these attributes would have a profound impact on the strategic development of the Company. So it is important that we remain agile and have the foresight to seize the opportunities evolved from the scientific advances.

Prospect

For the past twenty years, we have remained dedicated to building a vision-driven company, a company that promotes a performance culture, fosters positive values and cherishes teamwork and people. Our vision has been clear and consistent. We aim to make Jacobson an eminent player to be reckoned with in the delivery of generic drugs and proprietary medicines to the healthcare professionals and the public in Asia. Our mission matters i.e. to improve the access of cost-effective medicines and healthcare services to those in need. This mission has been underpinned by our quest for innovation and new ideas on both products and services.

Whilst we embrace the second half of the year, I would like to take this opportunity to shed some light on our interim results. Businesswise, we have performed well delivering a solid growth of +9.9% on total revenue and a staggering jump of +40.7% on profits from operations, primarily attributable to a steady and yet progressive growth in the generic drug business along with a realisation of operating leverage across our production plants. Sales growth and cost-saving measures have seen cash-flow and margin improvements for the generic drug business over the last 12 months. The supply position in our new production lines is stabilising, providing a solid platform for us to reap further growth in the second half of the year. Year-to-date, we have launched a total of 15 new products including formulations like Quetiapine Extended Released Tablets, Diltiazem Controlled Release Tablets, Celecoxib Capsules, Irbesartan Tablets and Levocetirizine Tablet. In the R&D pipelines, we are making good progress on over 60 projects covering various therapeutic categories, indications and dosage forms.

We remain committed to achieving the full year performance. Our recent progress on expanding our product portfolio as well as extending our geographical reach in Asia demonstrates our capabilities to execute on our growth strategies. We have secured the in-licensing agreements on three medical nutrition lines respectively from Norway, France and Italy covering Greater China as well as certain strategic markets in Asia. On the pharma front, we have also licensed in a blockbuster drug, Tenofovir Tablet, to tap the public hospital and prescription market segments in Hong Kong and Macau. A new representative office has been opened in Taipei since September and we aim to set up our presence in Singapore and Guangzhou towards Q1 2019. These milestones are the culmination of our year-long investment in people network, business development and research disciplines.

Strategic Growth Framework

Alongside our three-year growth plan, we are setting out the strategic framework which comprises four key priorities:

a. The priority has always been our generic drug business. We are very focused on maximising the commercial opportunities for our recent and near-term product launches. We aim to increase the market shares of our businesses in markets we operate via organic growth and expansion of targeted portfolio through in-licensing or products developed in-house.

b. Adopt the partnership-driven model and execute on complimentary capabilities for making entry into new markets or business segments. Forge strategic alliances or join forces with local partners when the market dynamics favours such an option.

c. Strategies based on merger & acquisition will be pursued in a sensible manner. Aim for products or franchises with the right strategic fit that would create long term strategic values to our existing business portfolio.

d. Establish a regional operational platform in Greater China and ASEAN, strengthen our commercial and regulatory capabilities in the process and aim to make Jacobson a preferred partner of choice to work with for other multi-national companies. With this, we could leverage our strategic position, expand into new markets and diversify our revenue stream by offering a portfolio of generic drugs, specialty medicines and proprietary products.

Appreciation

In a nutshell, we are setting out a clear roadmap forward over the next three years. Our aim is to have all of our businesses deliver performances with clear pathways for creating sustainable growth and healthy returns to our shareholders. With this, I would like to thank our colleagues and directors of the board for giving us their trust and support along the journey, and to our shareholders for your confidence in Jacobson.

Sincerely yours

Sum Kwong Yip Derek
Chairman and CEO
JACOBSON PHARMA CORPORATION LIMITED

Hong Kong, 21 November 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Generic Drugs

Sustained Growth for Both Private and Public Sectors

During the first six months period ended 30 September 2018, the Group registered a steady year-on-year growth of 9.8% for its generic drug business, posting approximately HK$595.3 million in sales revenue.

The sustained growth was mainly contributed by an expanded product portfolio and a broadened customer base along with an enhanced production capacity delivering a steady stock supply in both Private and Public Sectors, posting a growth of 10.4% to HK$395.2 million and 8.7% to HK$200.1 million respectively during the reporting period.

The growth of sub-sector markets such as those for cardiovascular and central nervous system treatments has been strong, attributable to the increasing prevalence of chronic diseases and the ageing population. In the Public Sector, Losartan Tablet (angiotensin II antagonists) and Amlodipine Tablet (calcium antagonists) within the Group's cardiovascular product series, for instances, recorded a sales growth of 33.4% and 19.4% respectively as compared with the same period of 2017. Among the Group's central nervous system product series, the hypnotics class recorded a growth of 71.0% with the award of a new tender for Zolpidem Tablet, whilst the antipsychotics class recorded a 42.6% growth with new tenders secured for Amisulpride Tablet and Pericyazine Tablet. In addition, newly secured tenders for Gliclazide Tablet also contributed to a growth of 41.0% for the Group's oral anti-diabetics sales during the reporting period.

For the Private Sector, sales of the Group's angiotensin II antagonists products, including the newly launched product Irbesartan Tablet, also recorded a strong growth of 76.8%, alongside a 29.5% growth in sales of lipid-lowering drugs. In addition, the hypnotics class products within the central nervous system treatments posted a notable growth of 45.2% as compared with the same period of 2017. New products launched during the reporting period in the Private Sector also included Quetiapine Extended Released Tablet, Celecoxib Capsule and Levocetirizine Tablet.

With the elderly population aged above 70 reaching 830,000 in Hong Kong by 2019, the surging demand in medical care and rising healthcare expenditure will continue to be a growing challenge to the public healthcare system. The Group believes the adoption of generic drugs substitution policy by the health authorities as a cost containment measure would continue to positively impact the growth prospects of the local generic drugs market. The government's increased spending on subsidy programmes, such as the Elderly Health Care Voucher Scheme and the General Outpatient Clinic Public Private Partnership Programme aimed at alleviating the strain in the public healthcare system, will divert part of the increasing healthcare demand to the Private Sector for which the Group is well positioned to serve as a leading provider of generic drugs in the sector.

Increased Production Output and Efficiency

All of the Group's manufacturing units operated effectively during the reporting period with production outputs totalling 1,408 million tablets and capsules, 170 tonnes of cream products and 1,281 thousand litres of oral liquid. The solid and semi-solid dosage outputs recorded a respective growth of 5.0% and 26.4% as compared with the same period of last year.

Equipped with machinery for high throughput capability, the new PIC/S GMP accredited manufacturing plant at Synco (H.K.) Limited further ramped up its solid dosage and liquid output by 39.2% and 191.5% respectively over the same period of last year, amounting to 356.4 million tablets and capsules and 154.4 thousand litres of oral liquid.

The newly acquired business units continued to contribute to the enhancement of the Group's production capability and capacity. Medipharma Limited, for instance, grew by 119.6% and 14.6% respectively in semi-solid and oral liquid outputs, whilst Karen Pharmaceutical Company Limited reported a 23.2% growth in solid dosage output compared with the same period of last year.

The continued enhancement of the production output and efficiency of the Group was driven by the successful integration and streamlining of our newly acquired manufacturing facilities to cater for the increasing market demand.

Business Development to Strengthen Portfolio and Drive Expansion

The Group has been taking a strong market position in a number of the high performing therapeutic categories. To supplement its R&D pipeline and strengthen its leadership in specific categories, the Group has actively collaborated with pharmaceutical suppliers in Spain, Korea, and Taiwan for the introduction of new and specialized products such as Tenofovir Tablet, Esomeprazole Tablets, Duloxetine Capsules and Oseltamivir Capsule to broaden its portfolio. The Group is aiming to secure more products including sterile injections, oncology products, combination drugs and specialty drugs, as well as biosimilars, thereby further strengthening its position to tap health care demand of the local and regional markets in Asia. Currently, 46 such products have been secured and are undergoing different stages of new product registration in Hong Kong.

The Group has also entered into in-licensing agreements with reputable manufacturers in Europe, namely Smartfish from Norway, Difass from Italy and Indigo of France, for three lines of medical nutrition products to target the high potential functional food and Food for Special Medical Purpose (FSMP) market segments, which will be launched in Greater China and selected Asian countries starting in 2019 and onwards.

In line with the Group's vision and development, it has continued to extend its footprints in certain strategic markets in Asia with plans to set up new offices in China, Taiwan, Singapore, Korea, and Cambodia. By leveraging its regional platform, the Group is well-poised to collaborate strategically with reputable partners globally through licensing, technology transfer or representation of finished branded products so as to expand its market presence in the Asia Pacific region.

Proprietary Medicines

Sustained Efforts in Building Strong Brands

During the reporting period, the total revenue from the proprietary medicines segment of the Group amounted to HK$110.7 million, representing a 8.7% drop over the same period of last year as the pressure on sales from the unfavourable market sentiments was reflected in the reporting period when compared to the notable performance of last year.

Despite the considerable slowdown of the retail market in Hong Kong, Po Chai Pills (保濟丸) continued to strengthen its leadership position in the gastro-intestinal Chinese medicine category with persistent and assiduous efforts in marketing and brand building, posting an organic growth of 7.0% in sales revenue in local market as compared with the same period of last year.

Along with the objective to broaden the brand's appeal to younger consumers, a new creative advertising campaign of Po Chai Pills was launched recently under the theme "Fast Relief of 5 Major Gastrointestinal Problems" inviting Jim Yan Chi Hong, a well-known radio DJ and artist with a humorous appeal, to play the role of multiple comical characters in the production. This highly creative approach proved to be a hit in its launch with the high viewership rate and positive comments from the online and social media platforms.

In spite of the strong US currency and unfavourable economic conditions in Asian countries, overseas sales of Po Chai Pills in markets like Singapore, Malaysia and Thailand also registered an encouraging growth of 34.8% as compared with the same period of last year, successfully driven by the Group's ongoing brand advertising and promotion effort.

The business of medicated oils of the Group also showed remarkable growth in 2018. Sales revenue of Flying Eagle Woodlok Oil (飛鷹活絡油) posted a 91.9% increase compared with the same period of last year. Sales revenue of Shiling Oil (十靈油) rose 67.6% during the reporting period, as a result of strengthened distribution management and advertising drive. Enhanced marketing efforts and resources have been allocated for boosting the brand image of Shiling Oil, with new product development under Shiling Oil in the pipeline.

Product Development

Disciplined Approach with Focus on Specialized Formulations

With a disciplined approach and effective management, the Group's R&D continued to make good progress in its product development pipeline. A total of 11 products, including Aripiprazole Tablet, Finasteride Tablet, Etoricoxib Tablet, Lamivudine and Abacavir Tablet, Diltiazem HCl Controlled Release Tablet, for instance, were successfully registered during the reporting period and are ready for launch and supply in Hong Kong. Eight other new products have completed the development process and testing, and applications for approval have been submitted to the Department of Health.

As at the end of September 2018, there are 102 products in the Group's pipeline, 38 of which have been approved for registration, eight have been submitted for registration, and 32 items have completed development and are currently under stability evaluation process. Within the reporting period, seven new items were added to the Group's pipeline.

R&D Collaboration

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

During the reporting period, we have made good progress in finalising the IP transfer and licensing agreement with the target company in the collaborative development of an innovative, non-invasive, accurate diagnostic test of prostate cancer. Plans and timelines have been worked out for the establishment of accreditation facilities, multi-center clinical trials, regulatory registration, commercialisation plan in HK and other major markets, which are being carried out by designated task forces.

This innovative home-based and non-invasive screening device for Prostate Cancer will be targeted for the global market with commercial roll-out starting in Hong Kong and Macau from 2019 onwards. The technology can provide a fast and convenient option to verify the results of the "gold standard" test on prostate cancer screening, i.e., blood prostate-specific antigen (PSA) level, with the benefits of better patient experience and the minimisation of possibly unnecessary prostate biopsy procedures. A multi-center clinical trial is being undertaken for the verification and comparative study of this innovative technology against the widely recognised "gold standard" test.

Collaboration Project with Hong Kong Institute of Biotechnology (HKIB)

During the reported period, steady progress has been made to scale up the project to production site for the actual manufacturing process in the second phase studies.

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.

Approval was granted to another collaboration project with HKIB under government funding which will be started in early 2019. 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 Nano & Advanced Materials Institute Limited (NAMI)

With the objective to extend the scope of application for this innovative nanotechnology on preclinical early Alzheimer detection, we have undertaken studies for new test development with encouraging progress from preliminary results. The new test developed from the study targets at research laboratories and groups not equipped with MRI facility for providing a more cost saving and versatile animal test method in drug research and development for Alzheimer's disease.

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

Issuance of Shares and Acquisitions

Issuance of Shares to Yunnan Baiyao

The Group entered into a subscription agreement with Yunnan Baiyao Holdings Company Limited ("Yunnan Baiyao") in respect of 200,000,000 new shares at the subscription price of HK$2.06 per share. The Group completed the issuance of the shares to Yunnan Baiyao on 3 September 2018.

The gross proceeds of the subscription were approximately HK$412,000,000. After deducting all related fees and expenses, the net proceeds from the subscription at approximately HK$411,658,000 will be applied for funding potential merger and acquisitions, strategic alliances, in-licensing pharmaceutical or medical products to enrich the Group's product portfolio, expanding or upgrading our operating facilities as well as general working capital.

Acquisition of Melborn Property Limited (formerly known as Dickson Warehousing Limited)

On 23 August 2018, the Group has entered into an agreement with Dickson Concepts Limited, to acquire 100% equity interest in Dickson Warehousing Limited at a base consideration of HK$250 million, which is subject to adjustment according to the agreement. This acquisition is aiming to enhance the Group's logistics capacity as well as the operational efficiency of the Group to cater for future business growth. This acquisition was subsequently completed on 14 November 2018 and Melborn Property Limited (Previously known as Dickson Warehousing Limited) became a wholly-owned subsidiary of the Group.

Acquisition of 45% Equity Interest in Orizen Capital Limited

On 19 July 2018, the Group successfully acquired 45% equity interest of Orizen Capital Limited ("Orizen") at a consideration of HK$118.7 million, after which Orizen and its subsidiary became associates of the Group. Our statement of profits or loss reflected a share of profits from associates of HK$1.8 million for the period from 19 July 2018 to 30 September 2018. The operations of Orizen and its subsidiary strengthen the Group's presence in the traditional Chinese herbal medicines business segment and this acquisition enables the Group to build a more comprehensive product portfolio in the Chinese medicines segment.

Remuneration Policy

As of 30 September 2018, the Group had a total of 1,803 employees. For the reporting period, the total staff costs of the Group was HK$204.7 million as compared to HK$212.5 million for the six months ended 30 September 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 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 applied to salary adjustments, bonus awards, promotion justifications, staff development plan and training need analysis. The Group provides various benefit schemes to its employees including annual leave entitlement, mandatory provident fund, group medical insurance and life insurance. Union has been established for the Group's employees in China according to local labour laws. As of 30 September 2018, the Group has not experienced any strikes or any labour disputes with its employees which would have or likely to have a material effect on its business.

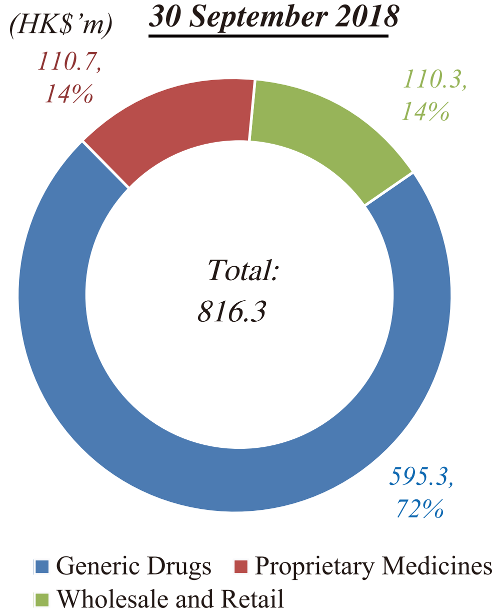
The Group places high values on recruiting, developing and retaining its employees. It maintains high recruitment standards, provides competitive compensation and benefit packages to attract and retain talents. The Group also emphasizes on training and developing employees. In addition to different skill 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

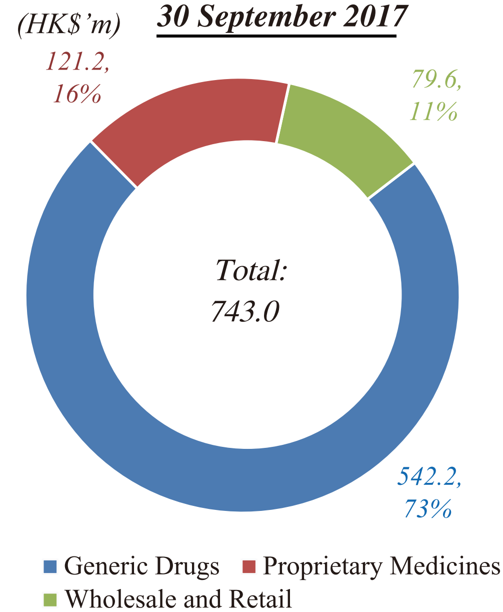
Revenue

Revenue by Operating Segments

For the six months ended 30 September 2018



For the six months ended 30 September 2017



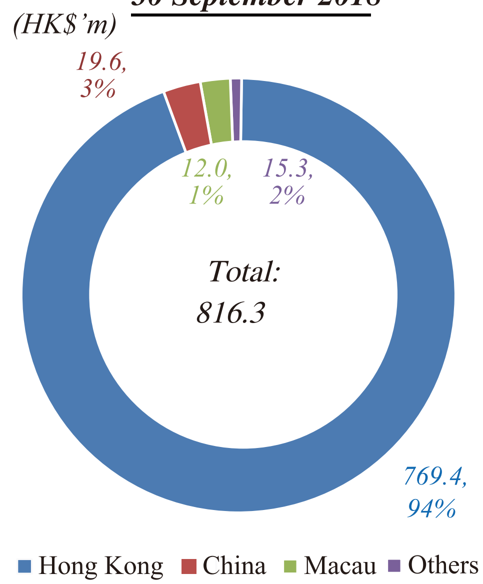
The increase in revenue of HK$73.3 million or 9.9% compared to FY2018 Interim was contributed by the increase in revenue of HK$53.1 million in Generic Drugs as well as HK$30.7 million in Wholesale and Retail, offset by the decrease in revenue of HK$10.5 million in Proprietary Medicines. Revenue split of the three segments is at the ratio of 72%, 14% and 14%.

In Generic Drugs segment, the increase in revenue reflected the higher revenue from both public sector and private sector, amounted to HK$16.0 million and HK$37.1 million respectively. The growth of revenue in public sector was primarily attributed to the demand in the existing tender products along with the contributions from newly awarded tenders. The growth in private sector mainly reflected the rise in average selling price and the organic growth in the demand.

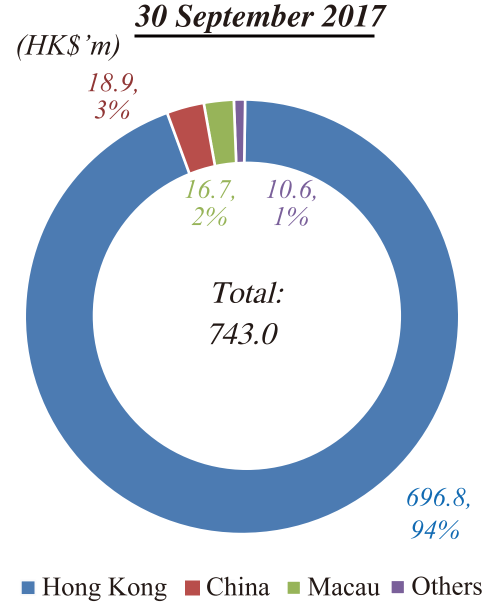
In Proprietary Medicines segment, the decrease in revenue was mainly contributed by the combined effect of the increase in sales of Flying Eagle Woodlok Oil and Shiling Oil, offset by the decrease in sales of Ho Chai Kung brand products and Po Chai Pills.

Revenue by Geographic Location

For the six months ended 30 September 2018



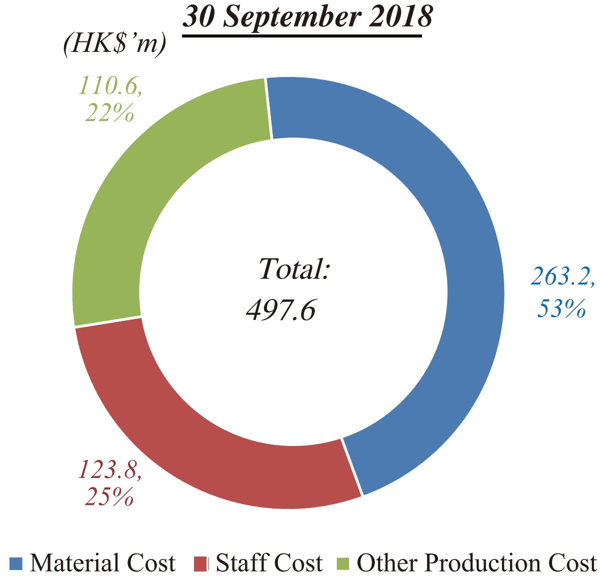
For the six months ended 30 September 2017



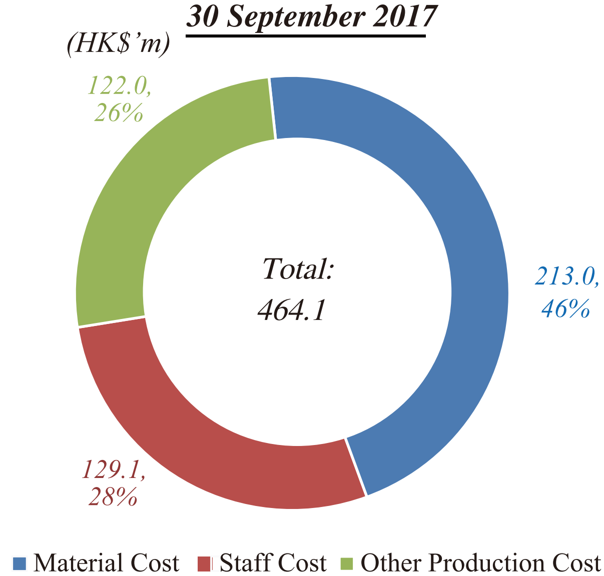
Hong Kong continued to be the major revenue stream, representing 94% of the total revenue and contributed an increase in revenue of HK$72.6 million. The slight increase in revenue from other overseas market was mainly due to the increase in export sales in Singapore and Canada which was offset by the decrease in sales in the USA.

Cost of Sales

For the six months ended 30 September 2018



For the six months ended 30 September 2017

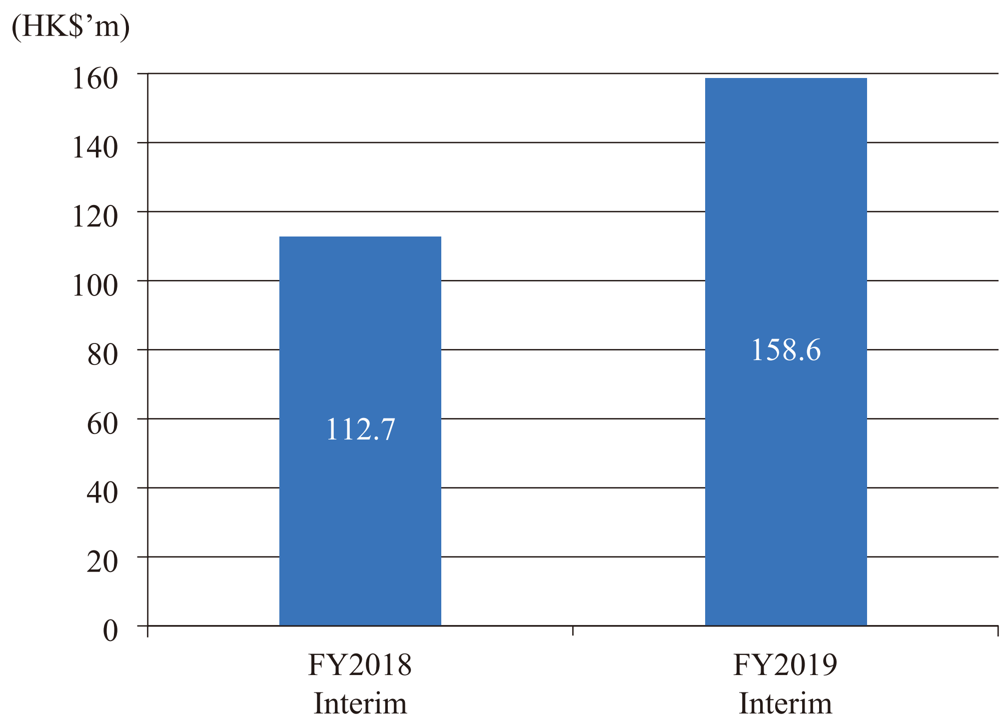


Material cost continued to be the major component in the cost of goods sold which contributed to approximately 53.0% of the total cost of sales.

The decrease in staff cost of HK$5.3 million or by 4.1% primarily reflected the decrease in number of headcount due to the cessation of production of a manufacturing plant in Chai Wan in July 2017.

The decrease in other production cost reflected the decrease in overheads due to the cessation of production of the above-mentioned manufacturing plant as well as the implementation of cost control measures carried out during the reporting period.

Profit from Operations



The profit from operations rose from HK$112.7 million to HK$158.6 million or by HK$45.9 or 40.7%. The enhancement in the profit from operations was principally contributed by the increase in gross profit of HK$39.8 million, the decrease in selling and distribution expenses and administrative and other operating expenses by HK$0.7 million and HK$3.6 million respectively.

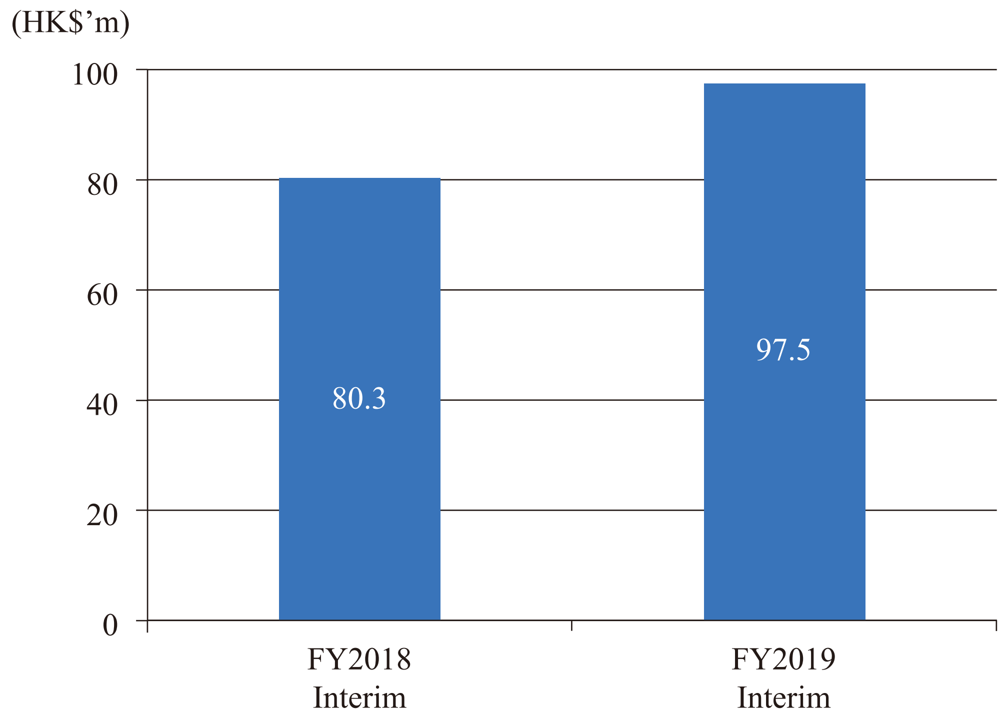
Finance Costs

The increase in finance costs mainly reflected the additional interests and amortisation arising from the convertible notes issued in October 2017.

Income Tax

The increase in income tax principally reflected the higher profit before taxation generated. The increase in effective tax rate was due to non-deductible finance costs arising from the convertible notes.

Profit Attributable to Shareholders



The increase in profit attributable to shareholders reflected the increase in profit from operations offset by the additional finance costs. The profit attributable to the shareholders increased by HK$17.2 million or by 21.4% to HK$97.5 million.

Assets

Property, Plant and Equipment

The increase in property, plant and equipment principally reflected the additions of HK$11.3 million and the transfer from investment properties of HK$62.0 million, and offset by the depreciation of HK$44.0 million during the reporting period.

Intangible Assets

The decrease in intangible assets principally reflected amortisation of HK$13.8 million and offset by the additions of HK$6.0 million during the reporting period.

Inventories

The increase in inventories mainly represented the increase in inventories following the enhancement of production capacity.

Cash and Cash Equivalents

As at 30 September 2018, around 98.8% of cash and cash equivalents were denominated in Hong Kong dollars (as at 31 March 2018: 65.1%), while the remaining balances were denominated in United Stated dollars, Renminbi and Singapore dollars.

Liabilities

Bank Loans

The decrease in bank loans from HK$903.9 million as at 31 March 2018 to HK$818.9 million as at 30 September 2018 represented certain settlements of bank loans during the reporting period.

As at 30 September 2018 and 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 30 September 2018:

	Proposed application	**Actual usage up to 30 September 2018**
	HK$'000	*HK$'000*
Acquisitions – Expansion of businesses in Generic Drugs and Proprietary Medicines	139,108	139,108
Acquisitions – Enhancement of distribution network	104,331	26,926
Acquisitions – Intangible assets	69,554	69,000
Capital investments – Upgrading of manufacturing plants and facilities	113,197	113,197
Capital investments – Two specific automated production facilities	12,000	12,000
Expansion of bioequivalence clinical studies	94,331	24,015
Establishment of a new joint R&D centre with HKIB	10,000	2,121
Marketing and advertising	83,465	47,248
General working capital	69,554	69,554
	695,540	503,169

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 30 September 2018 was HK$255,863,000.

Net proceeds of HK$411,658,000 were raised from the issuance of shares to Yunnan Baiyao (after the deduction of all related fees and expenses payable in connection with the issuance of shares of HK$342,000). The following table sets out the proposed application of the net proceeds and the actual usage up to 30 September 2018:

	Proposed application	**Actual usage up to 30 September 2018**
	HK$'000	*HK$'000*
Merger and acquisitions, strategic alliances and in-licence of products	205,829	–
Acquisition, expansion and upgrading of operating facilities	164,663	122,100
General working capital	41,166	186
	411,658	122,286

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, the issuance of convertible notes and the issuance of Shares to Yunnan Baiyao.

CHARGE ON GROUP ASSETS

The carrying value of assets pledged against bank loans decreased from HK$464.0 million as at 31 March 2018 to HK$462.0 million as at 30 September 2018.

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%) decreased from 34.6% as of 31 March 2018 to 18.9% as of 30 September 2018. The decrease in net gearing ratio was attributable to the issuance of shares 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 30 September 2018, the Group did not have any significant contingent liabilities.

NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 23 August 2018, the Group has entered into an agreement with Dickson Concepts Limited, to acquire 100% equity interest in Melborn Property Limited (Previously known as Dickson Warehousing Limited) at a base consideration of HK$250 million, which is subject to adjustment according to the agreement. This acquisition was subsequently completed on 14 November 2018 and Melborn Property Limited (Previously known as Dickson Warehousing Limited) became a wholly-owned subsidiary of the Group.

For details, please refer to the announcements of the Company dated 23 August 2018 and 14 November 2018.

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.

To comply with the new Listing Rules that are to be effective from 1 January 2019, the Board has approved to adopt a dividend policy and a Director nomination policy, and to revise the terms of reference of each of the Audit Committee and Nomination Committee and the Board diversity policy with effect from 1 January 2019.

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.

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.

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.

REVIEW OF INTERIM RESULTS

The interim results for the six months ended 30 September 2018 are unaudited, but have been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to shareholders of the Company.

The Audit Committee, together with management of the Company, has also reviewed the interim results for the six months ended 30 September 2018.

INTERIM DIVIDEND

The Board recommends a payment of an interim dividend per ordinary share for the six months ended 30 September 2018 of HK1.5 cents for the total amount of approximately HK$30.2 million (six months ended 30 September 2017: HK0.9 cent). The interim dividend will be paid on 21 December 2018 (Friday) to shareholders whose names appear on the register of members of the Company on 10 December 2018 (Monday), the record date. The details of interim dividend of the Group are set out in note 9 of this announcement.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of shareholders of the Company to receive the interim dividend, the register of members of the Company will be closed from 7 December 2018 (Friday) to 10 December 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 certificate, shall be lodged with the Company's Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 6 December 2018 (Thursday).

PUBLICATION OF THIS INTERIM RESULTS ANNOUNCEMENT AND THE 2018 INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.jacobsonpharma.com). The 2018 Interim 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.

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

Hong Kong, 21 November 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, and 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 Interim Report"	the interim report of the Company for the six months ended 30 September 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%
"adjusted profit attributable to shareholders"	profit attributable to the Shareholders excluding one-off listing expense
"Board"	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 interim 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
"Director(s)"	the director(s) of the Company
"Food for Special Medical Purpose (FSMP)"	Food products specially formulated for the dietary management of individuals who suffer from certain diseases, medical conditions or disorders and cannot meet the nutritional requirements through normal diet
"Functional food"	A food product given an additional function often related to health-promotion or disease prevention

"FY2018 Interim"	the six months ended 30 September 2017
"FY2019"	the year ended 31 March 2019
"FY2019 Interim"or "reporting period"	the six months ended 30 September 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
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited
"IP transfer"	The transfer of intellectual property rights
"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
"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
"net debts"	bank loans less cash and cash equivalents
"net gearing ratio"	net debts divided by total equity multiplied by 100%

"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 all public institutions and a number of public 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
"Sub-sector markets"	Refers to therapeutic market segments under the "public" and "private" market sectors