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 2019

FINANCIAL HIGHLIGHTS

- The revenue for the financial year ended 31 March 2019 amounted to approximately HK$1,704.6 million, representing an increase of about 10.1% as compared to that of approximately HK$1,548.7 million for the corresponding year of 2018.
- Profit from operations for the same year amounted to approximately HK$376.6 million, representing an increase of about 26.7% as compared to that of approximately HK$297.2 million for the corresponding year of 2018.
- Profit attributable to the shareholders of the Company for the same year amounted to approximately HK$250.6 million, representing an increase of about 23.9% as compared to that of approximately HK$202.3 million for the corresponding year of 2018.
- The Board recommends a payment of a final dividend for the year ended 31 March 2019 of HK3.0 cents per share for the total amount of approximately HK$60.5 million (2018 final dividend: HK2.9 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 2019, together with the comparative figures for the corresponding year in 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March	
	Note	**2019**	2018
		HK$'000	*HK$'000*
Revenue	*3*	**1,704,641**	1,548,684
Cost of sales		**(1,014,753)**	(931,022)
Gross profit		**689,888**	617,662
Other net income	*4*	**37,489**	19,506
Selling and distribution expenses		**(177,701)**	(167,075)
Administrative and other operating expenses		**(173,109)**	(172,865)
Profit from operations		**376,567**	297,228
Finance costs	*5(A)*	**(66,198)**	(46,005)
Share of profits less losses of associates		**4,719**	–
Profit before taxation	*5*	**315,088**	251,223
Income tax	*6*	**(56,410)**	(46,323)
Profit for the year		**258,678**	204,900
Other comprehensive income for the year			
Item that will not be reclassified to profit or loss, net of nil tax:			
Revaluation of financial assets at fair value through other comprehensive income		**96,201**	–
Item that may be reclassified to profit or loss, net of nil tax:			
Exchange differences on translation of financial statements of operations outside Hong Kong		**(3,676)**	3,645
Other comprehensive income		**92,525**	3,645
Total comprehensive income for the year		**351,203**	208,545

	Note	Year ended 31 March 2019 HK$'000	2018 HK$'000
Profit attributable to:			
Shareholders of the Company		**250,561**	202,270
Non-controlling interests		**8,117**	2,630
Total profit for the year		**258,678**	204,900
Total comprehensive income attributable to:			
Shareholders of the Company		**343,086**	205,915
Non-controlling interests		**8,117**	2,630
Total comprehensive income for the year		**351,203**	208,545
		HK cents	*HK cents*
Earnings per share attributable to shareholders of the Company:	*7*		
– Basic and diluted		**12.98**	11.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2019 *HK$'000*	 2018 *HK$'000*
Non-current assets			
Investment properties		**356,800**	91,000
Other property, plant and equipment		**1,058,473**	982,270
Leasehold land		**45,446**	48,041
Intangible assets		**1,073,487**	1,087,140
Interests in associates		**148,752**	12,603
Other non-current assets		**72,333**	26,510
Other financial assets		**255,320**	117,718
Deferred tax assets		**5,976**	4,191
		3,016,587	2,369,473
Current assets			
Inventories		**333,831**	316,323
Trade and other receivables	*9*	**277,291**	254,797
Current tax recoverable		**3,043**	13,829
Cash and cash equivalents		**629,842**	656,733
		1,244,007	1,241,682
Current liabilities			
Trade and other payables	*10*	**116,932**	105,553
Bank loans		**458,399**	903,872
Obligations under finance leases		**184**	184
Convertible notes		**466,960**	447,097
Current tax payable		**11,896**	4,657
		1,054,371	1,461,363
Net current assets/(liabilities)		**189,636**	(219,681)
Total assets less current liabilities		**3,206,223**	2,149,792
Non-current liabilities			
Bank loans		**371,247**	–
Obligations under finance leases		**476**	660
Deferred tax liabilities		**147,362**	141,157
		519,085	141,817
NET ASSETS		**2,687,138**	2,007,975
CAPITAL AND RESERVES			
Share capital	*11*	**20,156**	18,156
Reserves		**2,627,012**	1,957,606
Total equity attributable to shareholders of the Company		**2,647,168**	1,975,762
Non-controlling interests		**39,970**	32,213
TOTAL EQUITY		**2,687,138**	2,007,975

1 BASIS OF PREPARATION

The financial results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 March 2019 but are extracted from that consolidated financial statements.

The consolidated financial statements have 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 changes in accounting policies are set out in note 2.

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements of the Group are prepared on the historical cost basis except for investment properties, contingent consideration receivable, investments measured as financial assets at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL") which are stated at fair values.

2 CHANGES IN ACCOUNTING POLICIES

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.

(i) 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:

(a) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at FVOCI and at 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.

(b) 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.

There has been no significant impact on the Group's financial position and results of operations as a result of this change in accounting policy and accordingly, the Group's opening balances as at 1 April 2018 have not been adjusted.

(c) ***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.

(ii) 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:

(a) ***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.

(b) ***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 policy.

(c) ***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.

Upon the initial application of HKFRS 15, the receipts in advance from customers of HK$2,128,000 at 31 March 2018 is recognised as a contract liability under "Trade and other payables" in the statement of financial position at 1 April 2018.

(iii) 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.

3 REVENUE AND SEGMENT REPORTING

(A) Revenue

The principal activities of the Group are manufacturing and trading of generic drugs and proprietary medicines. All the revenue for the year ended 31 March 2019 is recognised in accordance with HKFRS 15.

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 share of profits less losses of associates and 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 the 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**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**1,253,022**	1,178,795	**225,103**	192,238	**226,516**	177,651	**1,704,641**	1,548,684
Inter-segment revenue	**3,404**	3,632	**2,154**	3,850	**–**	–	**5,558**	7,482
Reportable segment revenue	**1,256,426**	1,182,427	**227,257**	196,088	**226,516**	177,651	**1,710,199**	1,556,166
Reportable segment profit (adjusted EBITDA)	**376,710**	330,237	**81,865**	61,965	**5,812**	4,801	**464,387**	397,003

Public Sector refers to all public sector institutions and a number of public 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	
	2019	2018
	HK$'000	*HK$'000*
Generic drugs		
Public Sector	**407,835**	371,996
Private Sector	**845,187**	806,799
Generic drugs subtotal	**1,253,022**	1,178,795
Proprietary medicines	**225,103**	192,238
Wholesale and retail	**226,516**	177,651
Total	**1,704,641**	1,548,684

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

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**1,710,199**	1,556,166
Elimination of inter-segment revenue	**(5,558)**	(7,482)
Consolidated revenue	**1,704,641**	1,548,684
Profit		
Reportable segment profit	**464,387**	397,003
Elimination of inter-segment profit	**(376)**	(4,650)
Reportable segment profit derived from Group's external customers	**464,011**	392,353
Interest income from bank deposits	**4,745**	3,947
Depreciation and amortisation	**(115,916)**	(112,434)
Finance costs	**(66,198)**	(46,005)
Fair value gain on investment properties	**23,374**	12,644
Fair value gain on contingent consideration receivable	**353**	718
Share of profits less losses of associates	**4,719**	–
Consolidated profit before taxation	**315,088**	251,223

(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	
	2019	2018
	HK$'000	*HK$'000*
Revenue from external customers		
Hong Kong (place of domicile)	**1,598,512**	1,460,205
Mainland China	**35,927**	30,944
Macau	**39,853**	39,362
Singapore	**9,932**	6,924
Others	**20,417**	11,249
	1,704,641	1,548,684

The following table sets out information about the geographical location of the Group's property, plant and equipment, leasehold land, investment properties, intangible assets, prepayments for purchase of non-current assets and interests 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, 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 interests in associates.

	As at 31 March	
	2019	2018
	HK$'000	*HK$'000*
Specified non-current assets		
Hong Kong (place of domicile)	**2,657,643**	2,202,348
Mainland China	**44,936**	29,676
Macau	**86**	122
Taiwan	**6,447**	–
Cambodia	**46,179**	14,617
	2,755,291	2,246,763

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

For the year ended 31 March 2019, 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$407,835,000 (2018: HK$371,996,000).

4 OTHER NET INCOME

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Commission income	**1,366**	948
Interest income from bank deposits	**4,745**	3,947
Net foreign exchange (loss)/gain	**(1,647)**	492
Net gain on disposals of property, plant and equipment and leasehold land	**5,049**	30
Fair value gain on investment properties	**23,374**	12,644
Fair value gain on contingent consideration receivable	**353**	718
Rental income	**2,309**	171
Others	**1,940**	556
	37,489	19,506

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(A) Finance costs

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Interest on bank loans and other borrowings	**66,151**	45,964
Finance charges on obligations under finance leases	**47**	41
	66,198	46,005

(B) Other items

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Amortisation		
– leasehold land	**1,645**	1,644
– intangible assets	**27,529**	25,718
Depreciation	**86,742**	85,072
Operating lease charges in respect of properties	**55,231**	55,755
Auditors' remuneration		
– audit services	**5,669**	6,529
– other services	**2,756**	2,685
Research and development costs (other than amortisation of capitalised development costs)	**2,537**	2,296
Cost of inventories	**1,014,753**	931,022

6 INCOME TAX

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

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Current tax		
Provision for the year	**54,391**	44,470
(Over)/under-provision in respect of prior years	**(158)**	1,171
	54,233	45,641
Deferred tax		
Origination and reversal of temporary differences	**2,177**	682
	56,410	46,323

7 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$250,561,000 for the year ended 31 March 2019 (2018: HK$202,270,000), and the weighted average ordinary shares in issue calculated as follows:

Weighted average number of ordinary shares:

	Year ended 31 March	
	2019	2018
	'000	*'000*
Shares of the Company issued at the beginning of the year	**1,815,625**	1,815,625
Effect of shares issued	**115,068**	–
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	**1,930,693**	1,815,625

(B) Diluted earnings per share

Diluted earnings per share equals to basic earnings per share for the years ended 31 March 2019 and 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	
	2019	2018
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK1.5 cents per share (2018: HK0.9 cent per share)	**30,234**	16,341
Final dividend proposed after the end of the Reporting Period of HK3.0 cents per share (2018: HK2.9 cents per share)	**60,469**	52,653
	90,703	68,994

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	
	2019	2018
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year of HK2.9 cents per share (2018: HK1.4 cents per share)	**58,453**	25,419

9 TRADE AND OTHER RECEIVABLES

	As at 31 March	
	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**214,185**	197,410
Other receivables	**2,526**	5,661
Contingent consideration receivable	**1,084**	3,846
Deposits and prepayments	**59,496**	47,880
	277,291	254,797

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 loss allowance is as follows:

	As at 31 March	
	2019	2018
	HK$'000	*HK$'000*
Less than 1 month	**141,841**	113,372
1 to 6 months	**66,096**	74,955
Over 6 months	**6,248**	9,083
	214,185	197,410

10 TRADE AND OTHER PAYABLES

	As at 31 March	
	2019	2018
	HK$'000	*HK$'000*
Trade payables	**40,458**	35,188
Salary and bonus payables	**38,533**	37,155
Payables and accruals for additions of property, plant and equipment	**2,638**	2,373
Other payables and accruals	**29,965**	28,709
Receipts in advance	**5,338**	2,128
	116,932	105,553

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	
	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**24,085**	18,784
1 to 6 months	**16,290**	16,404
Over 6 months	**83**	–
	40,458	35,188

11 SHARE CAPITAL

	Number of shares	Amount
	'000	*HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each at 31 March 2018 and 2019	5,000,000	50,000
Issued:		
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 31 March 2019	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.

12 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 2019 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 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

"With many of the momentum-building opportunities ahead of us, we are well-positioned for 2019 and beyond..."

Dear Shareholders,

In 2018, we launched a 3-year strategic growth plan named as BIRD 2020. The plan sets out four main goals:

a. Increase our market shares in all markets where we operate

b. Expand our market presence outside of Hong Kong and aspire to become an eminent market player in Asia

c. Strengthen the values of our product portfolio through a targeted selection of products that are either licensed in or developed in-house

d. Make a right balance on capital allocation between M&A and business development

It was a productive year for execution of our growth strategies and realisation of our operational excellence – one in which we made good progress and accomplished key milestones along the way. We have established a management framework to oversee the business development initiatives across the region encompassing China, Macau, Taiwan, Singapore, Malaysia and Cambodia, and will continue to build a talent pool to round out our core management structure.

As an integral part of the growth plan, we have also initiated a drive to enrich and expand our product offerings, in part through in-licensing and business representation, and in part through our own R&D programs. A total of over 100 product approval applications have been filed with the regulatory authorities during the year covering a range of therapeutic areas such as oncology, cardiovascular, central nervous system and auto-immune disorders. The Group currently has a generic portfolio of over 100 differentiated product families marketed in various dosage forms and holds a leading position in a number of the therapeutic categories. Our strategy is to maintain a wide and balanced product mix in our portfolio so as to mitigate the potential risks arising from being overly dependent on a few major product lines.

On a separate front, we have forged an avenue for a commercial entry into the biosimilar sector through in-licensing of product at its late stage of clinical study. Our strategic partner Fosun Henlius holds a leading position in the research and development of biosimilar products. Whilst noting that their biosimilar version of Rituximab is the first biosimilar approved by CFDA in China, we are pleased to report that our in-licensed product, namely Trastuzumab, is also making good progress in the phase three clinical trial program which is scheduled to be completed by mid-2020. On business development front, we have made a debut entry into the orphan drug sector by signing up with a Swiss specialty pharma company named Dipharma. It is most encouraging to see that our team has succeeded in securing our first orphan drug tender in the Malaysia market.

Financial stability provides development versatility…

I am pleased with the performance of the Group this year. Total revenue reached HK$1,704.6 million, a steady growth of 10.1% over the prior year. Profit from operations was reported at HK$376.6 million, up by 26.7% on a year-on-year basis. Both the generic drugs and proprietary medicines businesses posted a steady growth in both revenue and gross profit. The consistent performance of our generic drug business in an environment where competition is intensifying demonstrates the resilience of our portfolio and the scalability and cost-efficiency of our manufacturing facilities. Case in point is that our continued investment in quality compliance and technical competence has paid dividend on our cardiovascular franchise primarily Losartan and Valsartan, both of which have gained a strong foothold in the market following a recall of our competitors' products from the market due to quality issues. Another positive note is our business development team's efforts in building a market leadership position for 0.01% and 0.05% Atropine Eye Drops, formulations of which have shown to be effective in slowing down the progression of myopia for young-aged children. We envisage that with a raised awareness on the usage benefits of these specialised formulations, there will be a quantum leap on the revenue growth of the Atropine products in coming year across various markets in Asia spanning from Hong Kong, Macau, Guangdong Province, the PRC to Singapore and Malaysia where we have the exclusive marketing right.

Riding on our consistent ability to generate positive cash flow and a healthy balance sheet, we have the resources to invest in our regional expansion plans and R&D programs, and to move ahead progressively in seizing development opportunities that support our vision.

Navigating new paths for delivering a sustainable growth over the long term…

Whilst our businesses have performed consistently well over the years, we would contemplate a refinement of our strategies to ensure that we can withstand the competitive pressure and are well-positioned to deliver sustainable growth over the long term. This comprises four main strategic priorities:

A. Deliver more values from our solid foundation

Jacobson has a solid foundation from which to build a broad product portfolio, a differentiated pipeline, strong commercial capabilities, a quality-driven manufacturing set-up and an extensive network of regional partners. We will leverage these strengths and maximise the value of our product offerings by stepping up the geographic expansion plans through our regional management structure.

B. Build a portfolio that anticipates the needs in both generic drugs and consumer healthcare sectors

A new product, be it a premium generics, a medical nutrition or a OTC offering that answers the evolving and unmet needs of healthcare professionals, patients and consumers will deliver sustainable growth in a competitive market. Alongside our internal R&D programs, we will build on our track record of working with partners to add differentiated products through in-licensing and co-development, and to leverage our position as a "partner of choice" in Asia and the Greater China regions.

C. Focus on Quality and Operational Excellence

We shall continue to place emphasis on quality and compliance across our facilities and sharpen our focus on supply chain efficiency so that we can maintain a lean cost structure and an efficient scalability to give us the competitive advantages vis-a-viz our competitors.

D. Inspire and enable our people

It is ultimately our people who will deliver most of our values and achieve our ambitious growth targets. Fostering a culture where people can thrive is our priority, and such a people-focus culture serves well to retain our best people and to attract new talents.

This is the second year that we have undertaken a performance-based reward scheme for our management staff. We strive to provide a collaborative and supportive work environment that enables our team to deliver result for the company while achieving personal fulfillment at the same time. We cherish a culture where people will work as a cohesive force to pursue our shared mission, overcome boundaries and thrive on challenges.

Stepping confidently into the future…

As we continue to build momentum on the accomplishments that we achieved in 2018, we will safeguard the unique balance of our expertise, ingenuity and deliberation. 2019 is off to a good start and I am optimistic about the year ahead. We have a clear and strategically-aligned growth plan in place that will guide us forward and facilitate the delivery of sustainable growth for our business over the long term.

Jacobson remains well-positioned with a balanced product portfolio and pipeline, established core competences and a robust financial profile. This enables us to be agile in seizing new growth opportunities and maximising returns to our shareholders

I wish to thank all of our employees and fellow directors of the board for their immense contributions to our business growth. I would also like to extend my gratitude to our shareholders for their support and trust. Together, we will continue to deliver on the shared vision of Jacobson.

Sincerely,

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

Hong Kong, 25 June 2019

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

The total revenue of the Group posted a 10.1% year-on-year growth to HK$1,704.6 million, with profit attributable to shareholders leapt by a promising 23.9% to HK$250.6 million mainly buoyed by consistent sales performance along with operating leverages and financial savings derived from cost control measures. The Group has further cemented its predominant position in the generic drugs market in Hong Kong with a steady growth momentum boosted by its broad product portfolio and extensive market coverage. Carrying a host of consumer-preferred heritage brands with a track record of performance, the Group's proprietary medicines business has also delivered a notable growth driven by our persistent and effective brand management efforts.

As an integral part of the growth strategy, the regional expansion plan of the Group has gained traction with management framework established and operations underway in a number of strategically selected locations with the aim to build a sustainable commercial platform in the region.

Solid Growth Foundation for Generics

Commanding one of the most extensive sales and distribution networks covering both the Private and Public Sectors in Hong Kong, along with its comprehensive product offerings and robust vertically-integrated supply chain, the Group has a solid foundation and enjoys a competitive position to drive sustainable growth in its generics business.

For the Reporting Period ended 31 March 2019, the Generic Drugs business of the Group registered a growth of 6.3% in sales revenue, accounting for HK$1,253.0 million as compared to HK$1,178.8 million in FY2018. The Private and Public Sectors posted sales revenues of HK$845.2 million and HK$407.8 million respectively during the Reporting Period.

Robust Growth on Therapeutic Class Products

Growth impetus of the generic drugs market has been driven by the exacerbating healthcare demands from aging population and prevalence of chronic diseases. Therapeutic sectors such as oral anti-diabetic and cardiovascular have exhibited strong growths of over 30% for certain product offerings of the Group in Public Sector.

In addition, the Group's central nervous system products have also posted an encouraging growth in the Public Sector. The antipsychotics and hypnotics class has grown by 39.0% and the hypnotics class by 74.0% respectively with new businesses secured such as for Zolpidem Tablet, Amisulpride Tablet, Risperidone Tablet and Pericyazine Tablet.

The Group's Losartan Tablet (angiontensin II receptor antagonists) and Amlodipine Tablet (calcium-channel blockers) of the cardiovascular class, on the other hand, have taken up strong footholds in the market led by the quality issues of our rival products, thanks to our unwavering commitment and investment on quality compliance.

Similarly, Private Sector sales of angiotensin II receptor antagonists and calcium-channel blockers products also recorded a strong growth of 113.5% and 64.7% respectively, alongside a 16.9% growth in lipid-lowering drugs. Our hypnotics products within the central nervous system treatments likewise have posted a notable growth of 25.8% as compared to the same period of 2018.

New Products Introduction

With our continued effort in introducing quality generics to meet medical and patient needs, we have launched a number of new products in the Private Sector during the Reporting Period including Celecoxib Capsule, Etoricoxib Tablet, Valsartan Tablet, Irbesartan Tablet, and Levocetirizine Tablet.

During the Reporting Period, the Group also secured registration approvals for a number of new products under its R&D pipeline, for instances, Rivastigmine of the central nervous system class, Finasteride of the endocrine system class, Abacavir and Lamivudine combination product of the antiviral class and Voriconazole of the antifungal class, which are ready for launch and adding strength to our product portfolio.

Digitised CRM Platform for Boosting Sales Productivity and Competence

With the successful first-phase implementation of our sales productivity and effectiveness program powered by an advanced cloud-based customer relationship management ("CRM") platform which is developed by a global leading system provider Salesforce.com, our sales team is empowered with the mobile ordering capabilities for online inventory information access and order placement in the field with boosted sales efficiency and productivity.

Embarking on the second-phase implementation of the program, we aim at improving the effectiveness of our sales team on customer targeting with a tailored electronic sales call planning and reporting system designed to strengthen our capabilities to identify, connect and serve prospective customers to drive market penetration.

This second-phase sales effectiveness enhancement program also helps our sale force not only to actively track and manage customer information, but also collect market intelligence and deliver insights to support our new product developments in answering unmet customer needs.

Well-Positioned to Serve Evolving Healthcare Demands

In view of the strenuous efforts of the Hong Kong Government attempting to alleviate the strains in public healthcare system by integrating certain primary healthcare services with private practices, the demand from Private Sector for cost-effective generic drugs is likely to be enhanced. The Voluntary Health Insurance Scheme in Hong Kong, which was introduced on 1 April 2019 by Food and Health Bureau, will augment the number of citizens using private healthcare services. In addition, the Glaucoma Public-Private Partnership Program launched in 2019 provides choices to clinically stable glaucoma patients for receiving private specialist services in the community in order to manage demand for specialist services in Public Sector. As the only active manufacturer in Hong Kong for a handful of specialised dosage forms including sterile eye drops, the Group is well-positioned to cater such market trends and opportunities arising.

Tapping New Market Potentials

On the front of business development as a key driver of our growth strategy, the Group has successfully forged strategic collaborations with multinational partners covering in-licensing and technology transfer of high-end generic drugs and biosimilars, and representation of finished brand products in the Asia Pacific region to tap new potentials of the burgeoning markets.

To supplement our R&D pipeline and broaden our portfolio of specialty drugs, the Group has signed agreements with leading pharmaceutical manufacturers in Spain, South Korea, Taiwan and other countries for the in-licensing of a total of 52 high-performing specialised drugs in the cardiovascular, central nervous system, anti-infective, oncology, gastrointestinal and other therapeutic areas during the Reporting Period, among which a number of items are eligible for tender bidding in the coming year including some injectable generic drugs.

The Group has also signed an exclusive agreement with a leading Swiss medical device company for the distribution of a patented formulation clinically substantiated for the effective control of Osteoarthritis-led synovial joint pain in Hong Kong, Macau and Taiwan. Osteoarthritis affects about 7% of men and 13% of women aged 50 or older in Hong Kong. In addition, the product category is under the National Health Insurance ("NHI") reimbursement scheme in Taiwan.

The Group also had a head start for the marketing of 0.01% and 0.05% Atropine Eye Drops (formulations clinically proven in helping slow down the progression of myopia among children) in Hong Kong, Macau, Guangdong Province, Singapore and Malaysia. By means of our extensive sales network and close rapport with medical professionals, we have built a market leadership position for the Atropine Eyes Drops with over 3,000 designated patients being prescribed with the product by registered medical practitioners in Hong Kong since its launch in the Reporting Period.

The Group has been the exclusive distributor of Genomic Health, Inc., the world's leading provider of genomic-based diagnostic tests, for its OncotypeDX® Breast Recurrence Score Test in Hong Kong and Macau. TAILORx, the lately published authoritative research study, has proven that with OncotypeDX® test about 70% of early stage breast cancer patients may be spared chemotherapy treatment in routine clinical practice and thus avoiding the unnecessary suffering associated with it. Presenting an estimation of about 4,000 and 210,000 new early-stage breast cancer patients in Hong Kong and Mainland China respectively in 2019, along with the rising awareness and demand for precise diagnosis and treatment for breast cancer, the Group is well-poised to exploit potentials of the market for the OncotypeDX® test which has redefined personalised medicine by making genomics a critical part of cancer diagnosis and treatment.

Targeting the high potential functional food and Food for Special Medical Purpose (FSMP) market segments, the Group has 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 which will be launched in Greater China and selected Asian countries in 2019 and onwards.

Aiming to improve the life quality and expectance of patients with rare diseases, especially those at young age, the Group has also extended its portfolio into orphan drugs. We have currently identified 41 items as "named patient basis products" for supply to the Public Sector in collaboration with reputable pharmaceutical companies from Switzerland and other countries. Furthermore, the Group's first orphan drug tender has been awarded in Malaysia.

Backed by our underlying market expertise, the Group will continue to drive the enrichment of its portfolio through in-house development or in-licensing of high value-added products covering sterile injections, oncology products, combination drugs, specialty medicines, as well as orphan drugs and biosimilars, thereby further strengthening its resilient position to tap the soaring health care demand of the local and regional markets in Asia.

Making Good Headway on Regional Expansion

In line with the Group's vision and growth strategy, the Group has continued to orchestrate its strategic advance into selected markets in Asia. The expansion plan has gained traction with currently 5 operating business offices established in China, Macau, Taiwan, Singapore and Cambodia. Well-positioned to cover market opportunities in South Korea, Malaysia, Brunei, Indonesia and Myanmar, Singapore will serve as our regional office for South East Asia.

By building a regional market platform with strong commercial capabilities, along with the Group's proven track records of successful partnerships, the Group is well-poised to leverage its position as a "partner of choice" to collaborate strategically with reputable partners globally through licensing, technology transfer or product representation to tap the high growing market potentials in the Asia Pacific and Greater China regions.

Asia Pacific is now the second largest pharmaceutical market globally as fueled by the shift of demographics towards the use of cost-effective generic drugs, fast growing population, rapid urbanisation and government measures to increase accessibility of healthcare, which represents encouraging market potential for our businesses there.

Rejuvenating Brands and Growth Momentum for Proprietary Medicines

Sales performance of the Group's proprietary medicines business during the Reporting Period witnessed an encouraging uptrend. The total revenue of the propriety medicines segment of the Group delivered a strong growth of 17.1% over last year.

Po Chai Pills (保濟丸), the most recognised household brand for Chinese gastro-intestinal medicine in Hong Kong with strong presence in overseas markets, achieved a sales growth of 15.6% over same period of last year, underpinned by our persistent efforts in marketing, brand building and promotional drives across the trade, retail and chain store channels.

In addition, overseas sales of Po Chai Pills registered a notable growth of 19.0% for overseas markets covering mainly Singapore, Macau and Mainland China. New product registration for Po Chai Pills in Cambodia has been successfully secured, paving way for its launch into the local market.

Targeting to rejuvenate and broaden the brand's appeal among younger consumers, Po Chai Pills has been committed to a compelling creative brand building and marketing strategy in its advertising and education campaign developments attuned to induce consumer interest and impact, example of which was the recently launched creative campaign themed "Fast Relief of 5 Major Gastrointestinal Problems" hosted by Jim Yan Chi Hong (少爺占), a well-known radio DJ and humorous artist who played multiple amusing comical characters in the TV commercial. This creative campaign proved to be a hit in its launch with the high viewership rate and positive comments from the online and social media platforms.

Also riding on our brand rejuvenation strategy, Ho Chai Kung (何濟公), the widely recognised heritage brand in the analgesics category, has recently launched a new marketing campaign with a creative advertisement design featuring popular TV artist Louis Yuen (阮兆祥) in contemporary appeal with the objective to reinforce its strong brand recognition for consumers in Hong Kong and the Greater Bay Area.

Ho Chai Kung brand products posted a steady growth of 8.3% in sales revenue over last year contributing a positive growth momentum to the proprietary medicines business of the Group during the Reporting Period.

The business of medicated oils of the Group also showed remarkable growth during the Reporting Period. Sales revenue of Flying Eagle Woodlok Oil (飛鷹活絡油) and Shiling Oil (十靈油) delivered a significant growth as a result of coordinated sales and distribution strategies and a revival of sales coverage in certain markets. Enhanced marketing efforts and resources have been allocated for boosting the brand image of Shiling Oil, with new product developments under Shiling Oil in the pipeline.

Robust R&D Pipeline

Embedding a disciplined approach with a focus on premium generics and specialised formulations, the Group's R&D program continued to make good progress in its product development pipeline.

A total of 17 new products, including Etoricoxib Tablets 30mg/60mg/90mg/120mg, Aripiprazole Tablet 5mg/10mg/15mg and Abacavir and Lamivudine Tablets were successfully registered during the Reporting Period and ready for launch and supply in Hong Kong.

Six other new products have completed the development process and testing, and applications for approval have been submitted to the Department of Health. 16 items are undergoing stability study and pending for registration submission.

As at the end of the Reporting Period, there are 99 products in the Group's pipeline, 44 of which have been approved for registration and 55 products are under different stage of development process.

Collaborative Projects for Innovative Technologies

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

The Group has finalised the intellectual property transfer and licensing agreement with the target company in this collaborative project for the development and commercialisation of an innovative, non-invasive, accurate diagnostic test for prostate cancer. Designated task forces have been set to execute plans for establishment of accrediting facilities, launch of multi-center clinical trials, regulatory registration and product commercialisation in HK and other major markets.

Commercially applied as a home-based diagnostic kit, this innovative non-invasive screening device for Prostate Cancer will be targeted for global market roll-out with commercial launch planned for Hong Kong and Macau between 2019 and 2020. Impeccable product design of this diagnostic kit is being undertaken by a renowned UK medical design firm, scheduled for manufacturing preparation by the end of 2019. Multi-center clinical trials have commenced in Q1 of 2019, with ethical application in Japan completed and followed by samples collection. Preparations for ethical applications in UK, France and Korea are underway with good progress.

Garnering the accolade of Gold Medal at the 47th International Exhibition of Inventions of Geneva 2019, this innovative prostate cancer diagnostic technology can provide a fast and convenient option to verify the results of the "gold standard" test in prostate cancer screening, i.e., blood prostate-specific antigen (PSA) level, with the significant benefits of improved patient experience and minimising the possibility of unnecessary prostate biopsy procedures.

Technology Development Collaboration with Nano & Advanced Materials Institute Limited (NAMI) on Alzheimer's Disease Early Detection

Targeted for launch in Q3 of 2019, this innovative nanotechnology-based laboratory test method in drug research and development for Alzheimer's disease can provide a more cost effective and time saving versatile animal test method with high sensitivity and resolution for the Beta Amyloid protein detection in the brain, when compared with other available tests on the market.

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 introduction with the winning of the Gold Medal Award at the 45th International Exhibition of Inventions of Geneva.

Collaboration Project with Hong Kong Institute of Biotechnology (HKIB) on In-process Quality Control Technology

The project has entered its second phase with the scaling up of the research at production site for actual manufacturing process.

Being a new pharmaceutical production technology in Hong Kong, this 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 aimed at vastly enhancing the product quality and efficiency of the manufacturing process.

Approval has also been granted to another collaboration project with HKIB under government funding which was kick-started in Q1 of 2019. The project studies and explores the usage of Confocal Raman Microscope technology in specified manufacturing processes. It provides the capability to precisely control and manage the manufacturing process which makes sure the complicated formulation, ingredient distribution and specified in-vivo efficacy are achievable.

Streamlined Operation for Enhanced Production Efficiency

All of the Group's manufacturing units operated effectively during the Reporting Period with production outputs totaling 2,939 million tablets and capsules, 318 tonnes of cream products and 2,463 thousand litres of oral liquid to keep pace with the demand.

The overall capacity and efficiency of the Group's manufacturing facilities have been benefitted from its effectively managed integration and streamlining program, bolstering for instance an average per annum enhancement of production output for solid dosage and semi-solid dosage products at 11% and 20% respectively from 2014 to 2019.

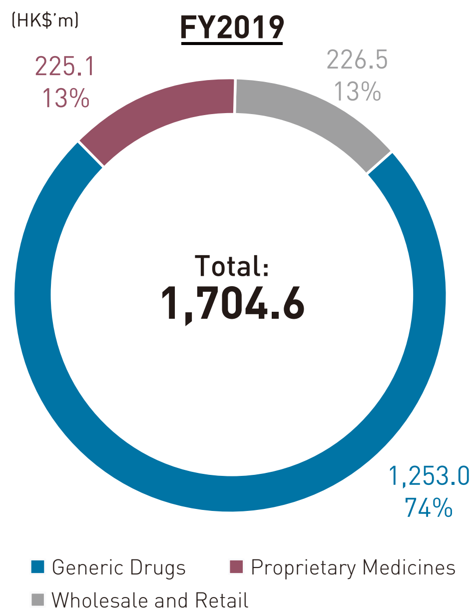
The Group's new PIC/S GMP accredited manufacturing plant at Synco (H.K.) Limited, equipped with machinery for high throughput capability, further ramped up its solid dosage and liquid output by 25.8% and 23.4% respectively over the same period of last year to boost the Group's output capacity.

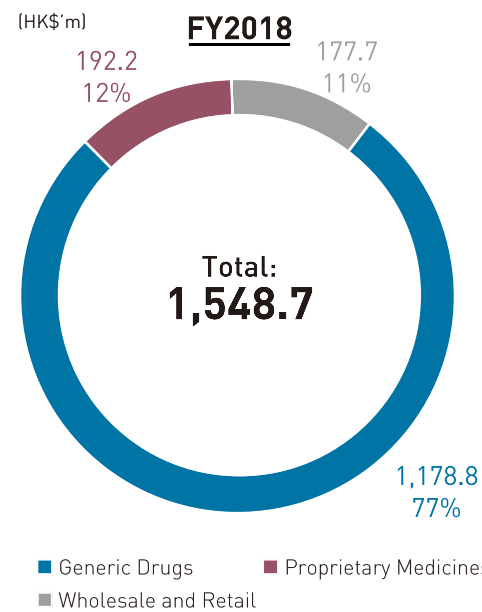
The newly acquired business units continued to contribute to the enhancement of the Group's production capability and capacity to cater for the increasing market demand. The increased production capacity and efficiency has enabled us to build a healthy buffer stock to ensure stable supply for our key customers in both Public and Private Sectors.

FINANCIAL REVIEW

REVENUE

Revenue by Operating Segments



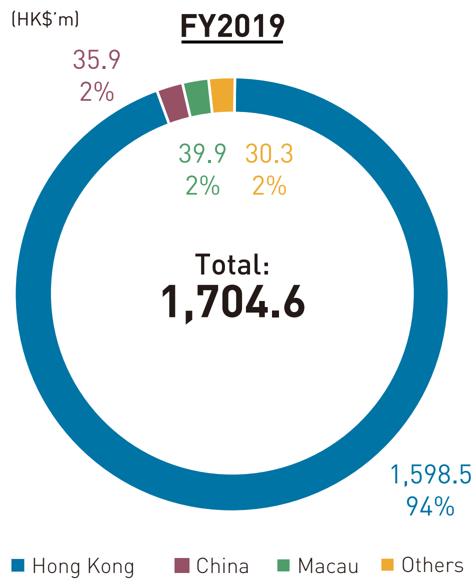


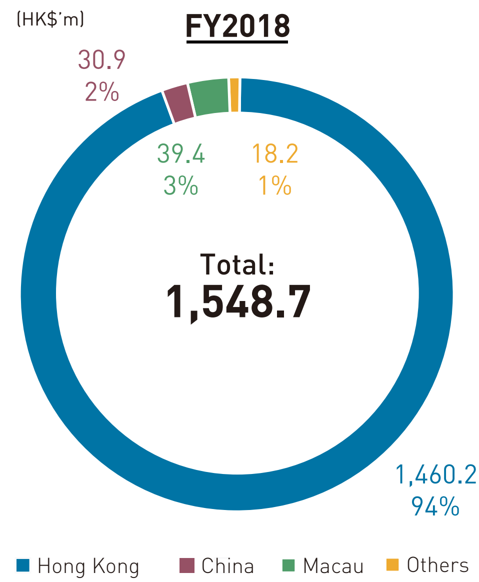
The increase in revenue of HK$155.9 million or 10.1% compared to FY2018 was contributed by the increase in revenue of HK$74.2 million in Generic Drugs, HK$32.9 million in Proprietary Medicines as well as HK$48.8 million in Wholesale and Retail segment. Revenue split of the three segments are at the ratio of 74%, 13% and 13%.

In Generic Drugs segment, the increase composed of the higher revenue from both Public Sector and Private Sector, amounted to HK$35.8 million and HK$38.4 million respectively. The growth in Public Sector was primarily attributed to sales increase in therapeutic class products. The growth in Private Sector was mainly contributed by the launch of new pharmaceutical products.

In Proprietary Medicines segment, the increase in revenue was mainly attributable to the increase in sales of Po Chai Pills, Flying Eagle Woodlok Oil and Ho Chai Kung brand products.

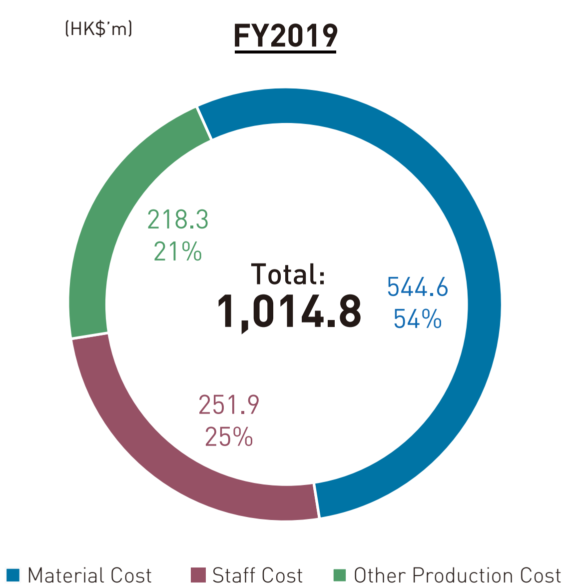
Revenue by Geographic Location

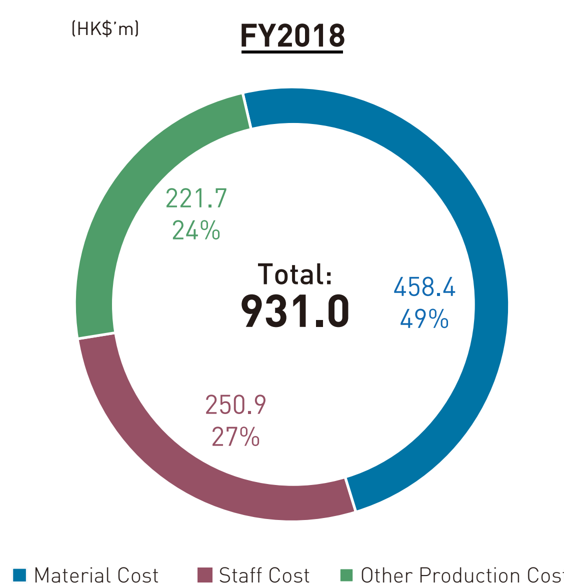




Hong Kong continued to be the major revenue stream, representing 94% of the total revenue and contributed an increase in revenue of HK$138.3 million. The revenue in the Mainland China increased by HK$5.0 million principally due to the expanded sales of Flying Eagle Woodlok Oil which was partially offset by the drop in sales of Puji Pills. The revenue increase in Macau by HK$0.5 million was mainly contributed by Po Chai Pills and Ho Chai Kung brand products. The increase in revenue from other overseas market of HK$12.1 million was mainly due to the increase in sales in South East Asia, Canada and South America.

Cost of Sales



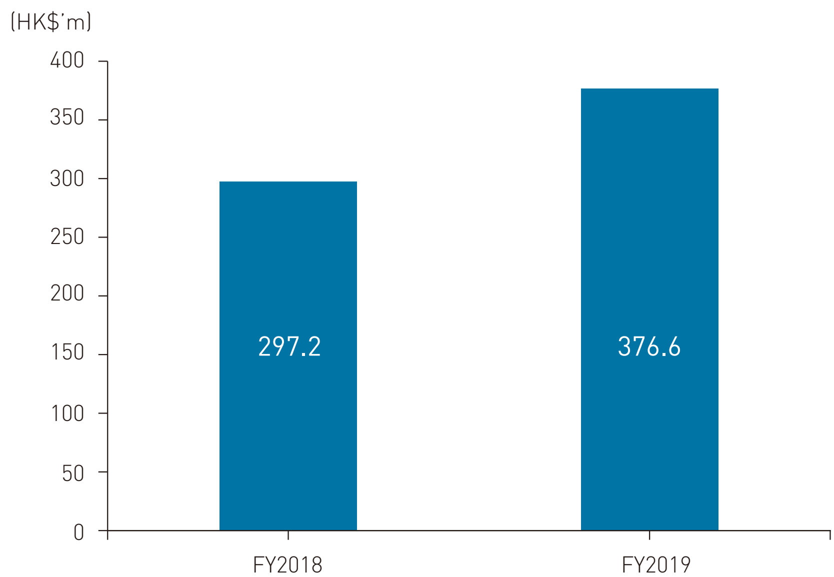


Material cost continued to be the major component constituting approximately 54% of the total cost of sales. The increase in weighting reflected the increase in revenue split from Wholesale and Retail segment, which has a higher material cost than the other two segments.

Staff cost increased slightly by HK$1.0 million or by 0.4% as a result of our continued effort in our production process automation.

The decrease in other production cost reflected the decrease in production overheads as a consequence of the implementation of a series of cost control measures during the Reporting Period.

Profit from Operations



The profit from operations rose from HK$297.2 million to HK$376.6 million or by HK$79.4 million or 26.7%. The enhancement in the profit from operations was principally contributed by the increase in gross profit and other net income of HK$72.2 million and HK$18.0 million respectively while offset by the increase in selling and distribution expenses, along with administrative and other operating expenses of HK$10.6 million and HK$0.2 million respectively.

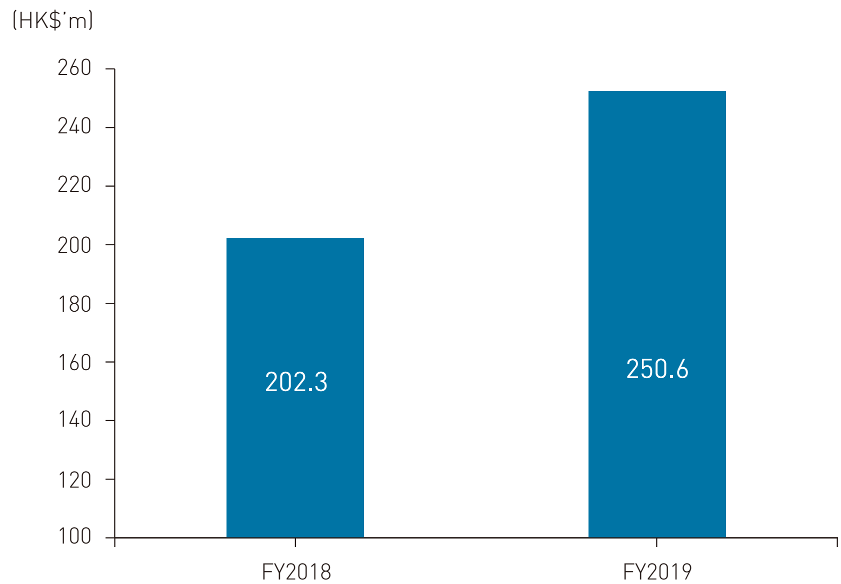
Finance Costs

The increase in finance costs mainly reflected the additional interest 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 mainly attributable to non-tax deductible finance costs arising from the convertible notes issued in October 2017.

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

Investment properties and other property, plant and equipment

The increase in investment properties and other property, plant and equipment principally reflected the additions of HK$408.8 million and fair value adjustment in investment properties of HK$23.4 million offset partially by the depreciation of HK$86.7 million.

Intangible assets

The decrease in intangible assets principally reflected the amortisation of HK$27.5 million and offset partially by the additions and capitalisation of development costs of HK$4.5 million and HK$9.4 million respectively.

Inventories

The increase in inventories mainly resulted from the overall sales growth.

Cash and cash equivalents

As at 31 March 2019, around 95.6% of cash and cash equivalents were denominated in Hong Kong dollars (as at 31 March 2018: 65.1%), while the remaining balances were mainly denominated in Renminbi, Singapore dollars and Taiwan dollars.

Liabilities

Bank loans

The decrease in bank loans from HK$903.9 million as at 31 March 2018 to HK$829.6 million as at 31 March 2019 represented certain settlements of bank loans while offset partially by the additions of bank loans principally for merger and acquisition and capital investment during the Reporting Period.

As at 31 March 2019, all the bank loans of the Group were denominated in Hong Kong dollars.

USE OF PROCEEDS

Net proceeds of HK$695,540,000 were raised from the initial public offering of the Company (included proceeds from the over-allotment option exercised by the underwriter amounted to HK$98,438,000 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 2019:

	Proposed application *HK$'000*	**Actual usage up to 31 March 2019** *HK$'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	36,784
Establishment of a new joint R&D centre with HKIB	10,000	2,709
Marketing and advertising	83,465	58,662
General working capital	69,554	69,554
	695,540	527,940

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 2019 was HK$291,363,000.

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 31 March 2019:

	Proposed application *HK$'000*	**Actual usage up to 31 March 2019** *HK$'000*
Merger and acquisitions, strategic alliances and in-licence of products	205,829	6,950
Acquisition, expansion and upgrading of operating facilities	164,663	164,663
General working capital	41,166	41,166
	411,658	212,779

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 sound 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, bank borrowings and the issuance of shares.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

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$464.0 million as at 31 March 2018 to HK$871.6 million as at 31 March 2019, which was mainly due to investment properties acquired during the Reporting Period amounted to HK$356.8 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%) decreased from 34.6% as of 31 March 2018 to 24.8% as of 31 March 2019. The decrease in net gearing ratio was attributable to the issuance of shares and the reduction of bank loans during 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 2019, 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 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 2019 ANNUAL RESULTS ANNOUNCEMENT AND THE 2019 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 2019 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 HK3.0 cents per share for the FY2019 (2018: final dividend of HK2.9 cents per share), subject to the approval of shareholders at the 2019 AGM to be held on 28 August 2019 (Wednesday), which is expected to be paid on 12 September 2019 (Thursday) to shareholders whose names appear on the register of members of the Company on 4 September 2019 (Wednesday), being the record date for determining shareholders' entitlement to the proposed final dividend. Including the interim dividend of HK1.5 cents per share paid on 21 December 2018, the total dividend for the FY2019 amounts to HK4.5 cents per share (2018 total dividend: HK3.8 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 2019 AGM, the register of members of the Company will be closed from 23 August 2019 (Friday) to 28 August 2019 (Wednesday), 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 22 August 2019 (Thursday) 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 3 September 2019 (Tuesday) to 4 September 2019 (Wednesday), 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 2 September 2019 (Monday) for registration.

By order of the Board
Jacobson Pharma Corporation Limited
Yim Chun Leung
Executive Director

Hong Kong, 25 June 2019

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:

"2019 AGM"	the forthcoming 2019 annual general meeting of the Company
"2019 Annual Report"	the annual report of the Company for the year ended 31 March 2019
"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 share of profits less losses of associates and non-recurring items not attributable to the operations of individual segments
"adjusted EBITDA margin"	adjusted EBITDA divided by revenue and multiplied by 100%
"Articles of Association"	the articles of association of the Company currently in force
"associate(s), chief executive(s), controlling shareholder(s)"	each has the meaning as described in the Listing Rules
"Board"	the Board of Directors
"CFDA"	China Food and Drug Administration
"CG Code"	Corporate Governance Code as amended from time to time contained in Appendix 14 to the Listing Rules
"China", "Mainland China" or "the PRC"	the People's Republic of China excluding, for the purpose of this Annual Report, 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
"Fosan Henlius"	Shanghai Henlius Biotech Inc.
"FY2018"	the year ended 31 March 2018
"FY2019" or "Reporting Period"	the year ended 31 March 2019

"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
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HKIB"	Hong Kong Institute of Biotechnology
"Jacobson", "Group", "our Group", "the Group", "we", "us", or "our"	the Company and its subsidiaries and, in respect of the period before we became the holding company of our present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"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
"Mr. Sum"	Mr. Sum Kwong Yip, Derek, our chairman, executive Director, chief executive officer and one of our controlling shareholders
"NAMI"	Nano & Advanced Materials Institute Limited
"net gearing ratio"	net debts divided by total equity multiplied by 100%
"OTC"	over-the-counter
"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
"Stock Exchange"	The Stock Exchange of Hong Kong Limited