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Jacobson Pharma Corporation Limited

雅各臣科研製藥有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

Stock Code : 2633

MAJOR TRANSACTION IN RELATION TO ACQUISITION OF VICTOR LUCK LIMITED AND HAPPY ECHO LIMITED

The Board is pleased to announce that on December 12, 2016 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, and the Sellers entered into the Sale and Purchase Agreement pursuant to which the Purchaser agreed to purchase, and the Sellers agreed to sell, the Sale Shares, representing the entire issued share capital of each of the Target Companies at a total consideration of HK\$568,000,000.

The Target Group is principally engaged in manufacturing, marketing and sale of proprietary medicines under the brand name of Ho Chai Kung (“何濟公”).

The Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. The Company intends to obtain written shareholder’s approvals from Kingshill and Longjin approving the Sale and Purchase Agreement and the transactions contemplated thereunder in lieu of holding a general meeting of the Company according to Rule 14.44 of the Listing Rules. A circular is required to be despatched to the Shareholders for their information on or before January 5, 2017 pursuant to Rule 14.41(a) of the Listing Rules. As the Company requires additional time to prepare necessary information for inclusion in the circular, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules.

Completion is subject to fulfilment (or if applicable, waiver) of the Conditions as set out in the section headed “Conditions Precedent” of this announcement. As Completion may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

THE SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that on December 12, 2016 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, and the Sellers entered into the Sale and Purchase Agreement, further information of which are set forth as follows:

Date

December 12, 2016 (after trading hours)

Parties

- (1) Purchaser: Concept One Inc., a wholly-owned subsidiary of the Company
- (2) Sellers: Ample Echo Limited
Linker Centre Limited

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of the Sellers, the Sellers' Representative and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Assets to be acquired

The Sale Shares, representing the entire issued share capital of each of the Target Companies.

Upon Completion, each of the Target Companies will become an indirectly wholly-owned subsidiary of the Company and the financial results of the Target Companies will be consolidated with those of the Company.

Consideration

The aggregate total price for the Sale Shares to be paid by the Purchaser to the Sellers is HK\$568,000,000.

The Consideration shall be paid by the Purchaser to the relevant Sellers' Representative(s) in the following manner:

- (a) a deposit in the sum of HK\$56,800,000, representing 10% of the Consideration, upon the execution of the Sale and Purchase Agreement by way of a cheque drawn on a licensed bank in Hong Kong in favour of Sunrise Leader Limited, the relevant Sellers' Representative (the "**Deposit**"); and
- (b) the sum of HK\$511,200,000, representing the balance of the Consideration (the "**Remaining Consideration**"), on Completion in accordance with the Sale and Purchase Agreement.

The Consideration will be funded by the net proceeds from the initial public offering of the Company and bank loans.

Basis of determining the Consideration

The Consideration was agreed between the Sellers and the Purchaser after arm's length negotiations with reference to, amongst other things: (1) the historical earnings of the Target Group; and (2) the prospective strategic value of the Target Group given the strong market presence of its products and its compatibility with the Group's principal business activities.

Conditions Precedent

Completion is conditional on the satisfaction (or waiver, if applicable) of the following conditions (each a "**Condition**"):

- (a) the passing of a resolution by the shareholders and/or the board of the Sellers, the Purchaser and the Company (where applicable), approving the sale and purchase of the Sale Shares contemplated by the Sale and Purchase Agreement in accordance with their respective articles of association and the applicable laws and regulations (including but not limited to the Listing Rules and the requests of the Stock Exchange);
- (b) the delivery to the Purchaser of all consents, approvals and clearances which are necessary or which the Purchaser has been advised that it is desirable to obtain (including from governmental or official authorities) in connection with the execution, delivery and performance of the Sale and Purchase Agreement and the consummation of the transactions contemplated herein;
- (c) the Warranties remaining true, accurate and not misleading in any material respect at Completion as if repeated at Completion and at all times between the date of the Sale and Purchase Agreement and Completion;
- (d) the Purchaser notifying the Sellers' solicitors in writing that it is satisfied in reliance on the Warranties and upon inspection and investigation of the Target Group;
- (e) the preparation of the Special Audit Accounts having been completed or if it cannot be fully completed prior to Completion, the Purchaser's auditors having prepared the Special Audit Accounts to such level as necessary to enable the Purchaser to ascertain the financial position of the Target Group for the purposes of Completion;
- (f) the Sellers having delivered to the Purchaser the Pre-Completion Accounts indicating that the consolidated total net asset value of the Target Group is not less than HK\$25,000,000 at December 31, 2016;

- (g) each of the Sellers having complied fully with the pre-Completion obligations and otherwise having performed all of the covenants and agreements required to be performed by it under the Sale and Purchase Agreement;
- (h) there having been no material adverse change (as defined in the Sale and Purchase Agreement) since the date of the Sale and Purchase Agreement; and
- (i) no statute, regulation or decision which would reasonably be expected to prohibit, restrict or materially delay the execution, delivery or performance of the Sale and Purchase Agreement, the consummation of the transactions hereunder or the operation of the members of the Target Group after Completion having been proposed, enacted or taken by any governmental or official authority whether in Hong Kong or elsewhere.

Save for Conditions relating to approval from the Shareholders of the Company (where necessary), and any consents being granted by governmental or official authorities (where necessary) which shall not be waived, the Purchaser may at its sole discretion waive, in whole or in part, all or any of the Conditions at any time by notice in writing to the Sellers.

The Purchaser shall notify the Sellers in writing within two (2) Business Days after all Conditions have been fulfilled to the satisfaction to the Purchaser or waived.

In the event that any of the Conditions shall not have been fulfilled (or waived, if applicable) prior to the Long Stop Date, the Purchaser shall not be bound to proceed with the purchase of the Sale Shares and the Sale and Purchase Agreement shall cease to be of any effect save in respect of claims arising out of any antecedent breach thereof. The Sellers shall in such event procure the relevant Sellers' Representative to return the Deposit to the Purchaser (without interest) within seven (7) Business Days of the Long Stop Date.

Completion

Completion shall take place on the Completion Date following two (2) Business Days' prior written notification by the Purchaser to the Sellers of the fulfilment to the satisfaction of the Purchaser (or waiver) of the Conditions.

Without prejudice to any other remedies available to the Purchaser, if the provisions of the Sale and Purchase Agreement in relation to Completion are not complied with by any of the Sellers in any respect on the Completion Date and the sale and purchase of the shares is not completed, the Purchaser shall not be obliged to complete the purchase of the Shares or pay any of the Remaining Consideration and may in its absolute discretion (in addition and without prejudice to any other right or remedy available to it) by written notice to the Sellers:

- (a) waive all or any of the requirements contained or referred to in the Sale and Purchase Agreement in relation to the Venors' obligations at Completion at its discretion and proceed to Completion so far as practicable and pay the Remaining Consideration to the Sellers; or
- (b) terminate the Sale and Purchase Agreement without liability on its part.

If the Sale and Purchase Agreement shall be terminated by reason of the Sellers not complying with its obligations at Completion, the Sale and Purchase Agreement shall cease to be of any effect. The Sellers shall in such event procure the relevant Sellers' Representative to return the Deposit to the Purchaser (without interest) within fourteen (14) Business Days from the date of receipt of written notice from the Purchaser.

Without prejudice to any other remedies available to the Sellers, if the provisions of the Sale and Purchase Agreement in relation to Completion are not complied with by the Purchaser in any respect on the Completion Date, the Sellers shall not be obliged to complete the sale of the Shares and may in their absolute discretion (in addition and without prejudice to any other right or remedy available to them) by written notice to the Purchaser:

- (a) waive all or any of the requirements contained or referred to in the Sale and Purchase Agreement in relation to the Purchaser's obligations at Completion at their discretion and proceed to Completion so far as practicable; or
- (b) terminate the Sale and Purchase Agreement without liability on their part.

If the Sale and Purchase Agreement shall be terminated by reason of the Purchaser not complying with its obligations at Completion, the Deposit (together with all accrued interest) will be retained and forfeited by the Sellers, through the relevant Sellers' Representative (as compensation for the Purchaser's failure to complete the Sale and Purchase Agreement and not as penalty) immediately. The Sale and Purchase Agreement shall cease to have any effect save in respect of claims arising out of any antecedent breach thereof, no Party shall have any liability under the Sale and Purchase Agreement. The Sellers will thereby be at liberty to deal with the Sale Shares at their discretion, including but not limited to selling all or any part of the Sale Shares to any other party.

The Purchaser undertakes, and shall procure the Company to undertake, to the Sellers and its certain affiliates that the Purchaser shall use all reasonable endeavours to obtain the release of the personal guarantees (to the extent details of such personal guarantees have been disclosed to the Purchaser) provided by the Sellers' affiliates to the relevant banks as security for charges or otherwise mortgages created by the relevant subsidiary of the Target Group in respect of certain properties owned by the Target Group in favour of the banks. Pending the release of such personal guarantees, the Purchaser shall indemnify the Sellers against all amounts paid by them to any third party in respect to any liability of any member of the Target Group.

INFORMATION OF THE PARTIES

The Purchaser and the Group

The Purchaser is a wholly-owned subsidiary of the Company. It is a company incorporated in the British Virgin Islands and is an investment holding company.

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

The Sellers

Ample Echo Limited is an international business company incorporated in Seychelles and its principal activity is investment holding.

Linker Centre Limited is an international business company incorporated in Seychelles and its principal activity is investment holding.

The Target Companies and the Target Group

Victor Luck Limited, a company incorporated in the British Virgin Islands, is principally engaged in investment holding.

Happy Echo Limited, an international business company incorporated in Seychelles, is principally engaged in investment holding.

The Target Group is principally engaged in manufacturing, marketing and sale of proprietary medicines under the brand name of Ho Chai Kung (“何濟公”).

Financial Information of the Target Group

Based on the financial information provided by the Sellers, set out below is the unaudited consolidated financial information of the Target Group for the two financial years ended March 31, 2015 and 2016:

	For the financial year ended March 31, 2015 <i>approximately HK\$</i> (unaudited)	For the financial year ended March 31, 2016 <i>approximately HK\$</i> (unaudited)
Revenue	76,900,000	85,200,000
Net profit before taxation and extraordinary items	43,000,000	46,300,000
Net profit after taxation and extraordinary items	35,900,000	38,700,000

Based on the financial information provided by the Sellers, the unaudited total assets and net assets of the Target Group as at March 31, 2016 were approximately HK\$82.1 million and HK\$72.2 million respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Group is a manufacturer of proprietary medicines under the heritage brand – Ho Chai Kung (“何濟公”). The Target Group offers a wide range of branded medicines under the Ho Chai Kung franchise in the OTC channel, notable ones include Ho Chai Kung Tji Thung San (何濟公止痛退熱散) and Ho Chai Kung Analgesic Tablets (何濟公止痛退熱片). The brand name of Ho Chai Kung was originated in the 1930’s and has been enjoying a high brand awareness and a strong market position in the analgesics (pain-killer) category in Hong Kong, China and South-East Asia markets.

1. The acquisition of the Target Companies reinforces Jacobson’s strategy to acquire brands and businesses that provides a sound strategic fit and also complements well with the Group’s product portfolios. This strategic acquisition brings together two distinctive businesses with complementary strengths, brands and cultures. It accelerates the growth momentum for the Group’s proprietary medicine business and helps create significant operational and financial synergies to the shareholders of the Company.
2. Ho Chai Kung is a well-known OTC brand that enjoys a strong market position and high brand awareness in the pain-killer segment thus offering Jacobson a viable platform to build a family of OTC products under the Ho Chai Kung brand. It also opens a new set of opportunities for Jacobson to expand its geographical reach by leveraging its already strong market presence in proprietary medicines portfolio which carries brands like Po Chai Pills (保濟丸), Tong Tai Chung Woodlok Oil (唐太宗活絡油), Contractubex Scar Gel (秀碧除疤膏) and Doan’s Ointment (兜安氏藥膏).
3. The Group expects to enhance its financial profile by benefiting upon the earning visibility of the Target Companies and to unlock cost synergies through consolidation of production capacities.

The Directors consider that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios (as defined under the Listing Rules) of the Acquisition exceed 25% but are below 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Board, no Shareholder is required to abstain from voting at a general meeting of the Company to be convened for the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder.

Kingshill is holding 850,684,000 Shares and Longjin is holding 157,050,000 Shares. Kingshill and Longjin in aggregate hold 1,007,734,000 Shares, representing approximately 55.50% of the total number of issued Shares as at the date of this announcement. Each of Kingshill and Longjin has the right to attend and vote at a general meeting (if convened) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. As disclosed in the Company's prospectus dated September 8, 2016, pursuant to the Deed of Acting in Concert, Kingshill and Longjin agreed to act in concert with each other and adopt a consensus building approach to reach decisions on a unanimous basis in exercising their voting rights in respect of any resolution required to be passed by the Shareholders commencing from the date of incorporation of the Company and maintaining such acting-in-concert arrangement until the Deed of Acting in Concert is terminated. Accordingly, Kingshill and Longjin are a closely allied group of shareholders under Rule 14.45 of the Listing Rules. The Company intends to obtain written shareholder's approvals from Kingshill and Longjin for approving the Sale and Purchase Agreement and the transactions contemplated thereunder in lieu of holding a general meeting of the Company according to Rule 14.44 of the Listing Rules.

A circular containing, amongst other things, information in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder, is required to be despatched to the Shareholders for their information on or before January 5, 2017 pursuant to Rule 14.41(a) of the Listing Rules. As the Company requires additional time to prepare necessary information for inclusion in the circular, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules.

Completion is subject to the fulfilment (or if applicable, waiver) of the Conditions as set out in the section headed "Conditions Precedent" of this announcement. As Completion may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

"Acquisition"	the proposed sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement
"Board"	the board of Directors
"Business Day"	any day (other than a Saturday, Sunday or public holiday) on which licensed banks are open in Hong Kong during their normal business hours
"Company"	Jacobson Pharma Corporation Limited (雅各臣科研製藥有限公司), an exempted company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 2633)
"Completion"	the completion of the Acquisition in accordance with the Sale and Purchase Agreement

“Completion Date”	January 16, 2017, or failing which January 25, 2017, or failing which February 15, 2017 but no later than the Long Stop Date, on which Completion is required to take place in accordance with the terms of the Sale and Purchase Agreement
“Condition”	has the meaning given to this term in the section headed “Conditions Precedent” of this announcement
“Consideration”	HK\$568,000,000, being the total consideration payable by the Purchaser to the Sellers for the sale and purchase of the Sale Shares
“Deed of Acting in Concert”	the deed of acting in concert dated January 8, 2016 entered into between Kingshill, Longjin and Mr. Lau Wing Hung (one of the Company’s controlling Shareholder) whereby they confirmed the existence of their acting in concert arrangement, further particulars of which has been disclosed in the Company’s prospectus dated September 8, 2016
“Deposit”	has the meaning given to this term in the section headed “Consideration” of this announcement
“Directors”	the directors of the Company
“Group or Jacobson”	the Company and its subsidiaries
“HK\$”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Kingshill”	Kingshill Development Limited, a company incorporated in the British Virgin Islands with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Longjin”	Longjin Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“Long Stop Date”	March 31, 2017 or such other later date as may be mutually agreed by the Purchaser and the Sellers
“OTC”	over-the-counter
“Party(ies)”	the named party(ies) to the Sale and Purchase Agreement and their respective successors and assigns

“Pre-Completion Accounts”	the unaudited consolidated balance sheet or statement of financial position of the Subsidiaries as at December 31, 2016 and the unaudited consolidated profit and loss account or statement of comprehensive income of the Subsidiaries for the period from April 1, 2016 to December 31, 2016 in substantially the form set out in the Sale and Purchase Agreement
“Purchaser”	Concept One Inc., a company incorporated in the British Virgin Islands and which is a wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the sale and purchase agreement dated December 12, 2016 entered into between the Purchaser and the Sellers
“Sale Shares”	shares representing all of the issued shares in the capital of the Target Companies, to which the entire amount of share capital of the Target Companies is attributable
“Seller(s)”	Ample Echo Limited (裕聲有限公司), an international business company incorporated in Seychelles, and Linker Centre Limited, an international business company incorporated in Seychelles
“Sellers’ Group”	the group of companies, comprising the Sellers, any holding company from time to time of the Sellers, and any subsidiary of the Sellers or of any such holding company but excluding the Target Companies and the Subsidiaries
“Sellers’ Representative”	Sunrise Leader Limited (星夢有限公司), Heng Fung Development (Hong Kong) Company Limited, and Ever Linkage Limited, together, who shall receive the Deposit and the Remaining Consideration (as the case may be) in accordance with the terms of the Sale and Purchase Agreement; and “relevant Sellers’ Representative” shall be construed accordingly
“Share(s)”	ordinary share(s) of the Company with par value of HK\$0.01 each
“Shareholder(s)”	holder(s) of the Share(s)
“Special Audit Accounts”	the consolidated audited accounts of the Target Group to be prepared by the Purchaser’s auditors at the cost of the Purchaser for the purposes of issuing the circular by the Company, composition of which is set out on the terms of the Sale and Purchase Agreement

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiaries”	the subsidiaries of Victor Luck Limited as specified in the Sale and Purchase Agreement, being Karen Pharmaceutical Company Limited 嘉倫藥業有限公司 and Vincents Pharma Trading Company Limited 永生藥業有限公司, and the subsidiary of Happy Echo Limited as specified in the Sale and Purchase Agreement, being Ho Chai Kung Medicine Manufactory Limited 香港何濟公藥廠有限公司
“Target Company(ies)”	Victor Luck Limited, a company incorporated in the British Virgin Islands, and Happy Echo Limited, an international business company incorporated in Seychelles
“Target Group”	the group of companies comprising the Target Companies and the Subsidiaries under the terms of the Sale and Purchase Agreement
“Warranties”	the representations and warranties contained or referred to in the Sale and Purchase Agreement
“%”	per cent.

By Order of the Board
Jacobson Pharma Corporation Limited
Wong Wai Ming
Company Secretary

Hong Kong, December 13, 2016

As at the date of this announcement, the Board comprises Mr. Sum Kwong Yip, Derek (also as Chief Executive Officer), Mr. Lo Chun Bun and Mr. Yim Chun Leung as executive Directors, Professor Lam Sing Kwong, Simon as non-executive Director, and Professor Chow Hee Lum, Albert, Dr. Lam Kwing Tong, Alan and Mr. Young Chun Man, Kenneth as independent non-executive Directors.