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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

### **PROPOSED ISSUE OF CONVERTIBLE NOTES UNDER GENERAL MANDATE AND GENERAL DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES**

**Sole Placement Agent**

# **Jefferies**

This announcement is made by the Company pursuant to Rules 13.18, 13.28 and 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance.

#### **ISSUE OF CONVERTIBLE NOTES UNDER GENERAL MANDATE**

The Board is pleased to announce that on 6 September 2017 (before trading hours), the Company entered into the Subscription Agreements with each of the Subscribers, pursuant to which the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for, the Convertible Notes in an aggregate principal amount of HK\$500 million. Completion is conditional upon the terms set out in the Subscription Agreements. The Subscribers are each an independent third party. Jefferies is the sole placement agent in the proposed issue of the Convertible Notes.

## **REASONS FOR THE ISSUE OF THE CONVERTIBLE NOTES**

The Group is principally engaged in generic drug and proprietary medicine businesses and aspires to extend its pre-eminent position in Hong Kong to other strategically-important markets in Asia Pacific. The issue of the Convertible Notes will not only strengthen the capital base of the Group, but also boost its cash position thus enabling it to gather stronger growth momentum. The proceeds from the Subscription are estimated to be HK\$500,000,000 and are intended for (a) funding potential acquisitions or forming strategic alliances in the Asia Pacific region with a view to expanding the Group's geographical reach and market presence for its generic drug and proprietary medicine businesses; and (b) supporting in-licensing and direct investment on technologically-oriented bio-pharmaceutical projects to contemplate an entry into the innovation-driven therapeutic area.

## **EFFECT OF THE SUBSCRIPTION**

As at the date of this announcement, the Company has a total of 1,815,625,000 Shares in issue. Assuming full conversion of the Convertible Notes as at the date of this announcement based on the initial Conversion Price of HK\$2.50 per Conversion Share and that there are no other changes to the issued share capital of the Company (without taking into account any Shares that may be issued under the Share Option Scheme), the Convertible Notes will be convertible into 200,000,000 Conversion Shares, representing (i) approximately 11.02% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 9.92% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

## **GENERAL MANDATE**

Pursuant to a resolution in writing of all the then Shareholders of the Company on 30 August 2016, the Company is authorized to allot and otherwise deal with up to 20% of the total nominal value of the Company's share capital in issue immediately following the completion of the global offering of the Company as set out in the Prospectus, which amounted to 350,000,000 Shares. The Directors have not exercised the power to allot and issue any new Shares pursuant to the General Mandate. The Conversion Shares to be issued upon conversion of the Convertible Notes will be allotted and issued under the General Mandate and, as such, no Shareholders' approval is required for the Subscription.

## **USE OF PROCEEDS**

The aggregate gross proceeds from the Subscription would be HK\$500,000,000. The net proceeds from the Subscription, after deducting all related fees and expenses, are estimated to be approximately HK\$490,000,000. Based on the net proceeds of approximately HK\$490,000,000, the net price per Conversion Share converted from the Convertible Notes is approximately HK\$2.45.

The Board intends to use the proceeds from the Subscription 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.

## **APPLICATION FOR LISTING**

No listing of the Convertible Notes will be sought on the Stock Exchange or any other exchange. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

**Shareholders and potential investors should note that completion of the Subscription is subject to the fulfillment or waiver of the Conditions Precedent. As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## **ISSUE OF CONVERTIBLE NOTES UNDER GENERAL MANDATE**

The Board is pleased to announce that on 6 September 2017 (before trading hours), the Company entered into the Subscription Agreements with each of the Subscribers, pursuant to which the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for, the Convertible Notes in an aggregate principal amount of HK\$500 million due in 2020. Jefferies is the sole placement agent in the proposed issue of the Convertible Notes. The principal terms of each of the Subscription Agreements and the Convertible Notes are substantially the same, including the Conditions Precedent and Events of Default. The principal terms of the Subscription Agreements and the Convertible Notes are summarised below.

## **THE SUBSCRIPTION AGREEMENTS**

### **Date**

6 September 2017

### **Parties**

- (a) the Company as issuer
- (b) the Subscribers as subscriber

### **Convertible Note Subscription**

Subject to the fulfillment and/or waiver of the Conditions Precedent, Dragons has agreed to subscribe for the Convertible Notes in a principal amount of HK\$280 million and HH JP has agreed to subscribe for the Convertible Notes in a principal amount of HK\$220 million.

## Conditions Precedent

The obligations of the Subscribers to subscribe for the Convertible Notes are subject to the fulfillment, to the satisfaction of the Subscribers, or waiver by the Subscribers, of the following Conditions Precedent (other than items (b) and (f) which are not capable of waiver):

- (a) all corporate and other proceedings on the part of the Company authorising the execution, delivery and performance of the Subscription Agreements and the transactions contemplated thereunder, shall have been completed, and any and all approvals, consents and waivers (including banks' approval, consent and/or waiver) necessary for consummation of the transactions contemplated by the Subscription Agreements including the issue of the Convertible Notes shall have been obtained;
- (b) the Stock Exchange shall have approved the issue of the Convertible Notes and shall have granted the listing of, and permission to deal in, the Conversion Shares;
- (c) each of the Subscription Agreements shall have been duly executed by the Company and delivered to each of the Subscribers;
- (d) the warranties by the Company in the Subscription Agreements are true, correct and accurate in all material respects on the date of the Subscription Agreements and the Completion Date as though such warranties were made at such date (except that any warranties that are made as of a specified date shall be true and correct in all material respects as of such specified date);
- (e) the Company shall have performed all of its obligations under the Subscription Agreements expressed to be performed on or before the Completion Date;
- (f) no statute, rule, regulation or order shall have been enacted, adopted or issued by any governmental or regulatory authority that would, as of the Completion Date, prevent the issuance or sale of the Convertible Notes or the issuance of the Conversion Shares;
- (g) the Company having provided to the Subscribers certified copies of all board minutes or resolutions in relation to the authorization of the execution, delivery and performance of the Subscription Agreements and the transactions contemplated hereby, including the issue of the Convertible Notes and the Conversion Shares upon exercise of the Conversion Rights;
- (h) except as may result from the announcement of the transactions contemplated under the Subscription Agreements, there having been since the date of the Subscription Agreements no change that would have a Material Adverse Effect;
- (i) a legal opinion issued by the Hong Kong legal counsel of the Company, dated as of the Completion Date and addressed to the Subscribers, in such form and substance satisfactory to the Subscribers, shall have been provided to the Subscribers;

- (j) customary “know-your customer” information relating to the Company reasonably required by the Subscribers to comply with applicable client identification procedures relating to the Company having been provided;
- (k) the Company having provided to HH JP a certified copy of the duly executed Dragons Subscription Agreement and to Dragons a certified copy of the duly executed HH JP Subscription Agreement; and
- (l) the Company having delivered to the Subscribers a certificate, dated as of the Completion Date, certifying the satisfaction of the Conditions Precedent (other than those that may have been waived by the Subscribers).

The obligations of the Company to issue the Convertible Notes, are subject to the fulfillment, to the satisfaction of the Company, or waiver by the Company, of the following conditions (other than items (b) and (f) which are not capable of waiver):

- (a) all corporate and other proceedings on the part of each of the Subscribers authorising the execution, delivery and performance of the Subscription Agreements and the transactions contemplated thereunder, shall have been completed, and any and all approvals, consents and waivers necessary for consummation of the transactions contemplated thereunder shall have been obtained;
- (b) the Stock Exchange shall have approved the issue of the Convertible Notes and shall have granted the listing of, and permission to deal in, the Conversion Shares;
- (c) the Subscription Agreements shall have been duly executed by the Subscribers and delivered to the Company;
- (d) the representations and warranties by the Subscribers in the Subscription Agreements are true, correct and accurate in all respects on the date of the Subscription Agreements and the Completion Date as though such representations and warranties were made at such date (except that any representations and warranties that are made as of a specified date shall be true and correct in all respects as of such specified date);
- (e) the Subscribers shall have performed all of its obligations contained in the Subscription Agreements expressed to be performed on or before the Completion Date;
- (f) no statute, rule, regulation or order shall have been enacted, adopted or issued by any governmental or regulatory authority that would, as of the Completion Date, prevent the issue or sale of the Convertible Notes, or the or the issue of, or conversion of the Convertible Notes into, the Conversion Shares; and
- (g) the Subscribers having provided to the Company certified copies of all board resolutions in relation to the authorization of the execution, delivery and performance of the Subscription Agreements and the transactions contemplated hereby, including the Subscription.

## **Completion**

Completion of the subscription of the Convertible Notes shall take place within ten Business Days, or such other time(s) or date(s) as the parties thereto may agree in writing from time to time, following the satisfaction or waiver of the Conditions Precedent (other than those Conditions Precedent which are expressed to be satisfied on or as at the Completion Date, but subject to the waiver and/or satisfaction of such Conditions Precedent) in accordance with the Subscription Agreements.

## **Termination**

The Subscribers may, by giving three Business Days' notice in writing to the Company but upon prior consultation with the Company, terminate the Subscription Agreements at any time on or before the Completion Date in any of the following circumstances:

- (a) if there is any material breach of, or any event rendering untrue or incorrect in any material respect, any of the warranties, representations or undertakings of the Company or any material failure to perform any of the Company's other obligations in the Subscription Agreements which breach or failure would give rise to the failure of a Condition Precedent and as a result of such breach, such condition would not be capable of being satisfied prior to the Long Stop Date; or
- (b) if any Condition Precedent to be fulfilled by the Company has not been satisfied or waived by the respective Subscribers by the Long Stop Date.

The Company may, by giving three Business Days' notice in writing to the Subscribers but upon prior consultation with the Subscribers, terminate the Subscription Agreements at any time on or before the Completion Date in any of the following circumstances:

- (a) if there is any material breach of, or any event rendering untrue or incorrect in any material respect, any of the warranties, representations or undertakings of the Subscribers or any material failure to perform any of the Subscribers' other obligations in the Subscription Agreements which breach or failure would give rise to the failure of a Condition Precedent and as a result of such breach, such condition would not be capable of being satisfied prior to the Long Stop Date; or
- (b) if any Condition Precedent to be fulfilled by the Subscriber has not been satisfied or waived by the Company by the Long Stop Date.

## PRINCIPAL TERMS OF THE CONVERTIBLE NOTES

The principal terms of the Convertible Notes are summarized as follows:

Issuer:	The Company
Aggregate Principal Amount:	HK\$500 million
Subscription Amount by each Subscriber:	Dragons: HK\$280 million HH JP: HK\$220 million
Maturity Date:	The date falling on the third anniversary of the Issue Date
Interest:	Interest is payable on the Convertible Notes at the rate of 3.5% per annum on the principal amount of the Convertible Notes outstanding, accruing from the Issue Date on a daily basis and shall be calculated on the basis of the actual number of days elapsed in a year of 365 days, including the first day of the period which it accrues and including the last. The interest will be payable quarterly in arrears on each Interest Payment Date. The interest so payable on any Interest Payment Date will be paid in Hong Kong dollars. If any Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day.
Default Interest:	If the Company fails to pay any sum payable pursuant to the Note Instrument after it becomes due, the Company shall pay interest on such sum from and including the due date to the date of actual payment (after as well as before judgment) at a rate of 8.5% per annum.
Status:	The Convertible Notes constitute general, unconditional, unsecured, unsubordinated obligations of the Company and rank, and shall rank equally and pari passu among themselves. The payment obligations of the Company under the Convertible Notes shall rank at least equally with all of the Company's other present and future unconditional, unsecured and unsubordinated obligations except for obligations accorded preference by mandatory provisions of applicable law.
Form and Denomination:	The Notes are issued in registered form. A Certificate will be issued to each Noteholder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders kept by the Company. The denomination of a Note will be HK\$10,000,000.

- Conversion Right: The Noteholders shall have the right to convert on any Business Day on or prior to the close of business on the Maturity Date, in whole or in part, the principal amount of their Notes in denominations of HK\$10,000,000 or integral multiples thereof into Shares at any time and from time to time at the Conversion Price. The number of Shares to be issued on conversion of a Note will be determined by dividing the principal amount of the Note(s) to be converted by the Conversion Price in effect as of the date of conversion.
- Conversion Price: The initial Conversion Price is HK\$2.50 per Conversion Share, which is subject to adjustments in accordance with the terms of the Note Instrument.
- Adjustments to the Conversion Price: The Conversion Price will be subject to adjustments upon the occurrence of any of the events described below in accordance with the terms of the Note Instrument:
- (a) if and whenever the Shares by reason of any consolidation, subdivision or reclassification of the Shares into other securities of the Company become of a different nominal amount. Such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the relevant action becomes effective;
  - (b) if and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund). Such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for such issue;
  - (c) if and whenever the Company shall make any Capital Distribution (except where, and to the extent that the Conversion Price falls to be adjusted under paragraph (b) above) to holders (in their capacity as such) of Shares (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its Subsidiaries. Such adjustment shall become effective (if appropriate retroactively) from the commencement of the day next following the record date for the Capital Distribution or grant;

(d) if and whenever the Company shall offer to holders of Shares new Shares for subscription by way of rights, or shall grant to holders of Shares any rights to subscribe for new Shares, at a price per new Share which is less than 92 per cent. (92%) of the market price at the date of the announcement of the terms of the offer or grant. Such adjustment shall become effective (if appropriate, retroactively) from the commencement of the day next following the record date for the offer or grant;

(e) if and whenever the Company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights to acquire or subscribe for new Shares and the Total Effective Consideration per new Share initially receivable for such securities is less than 92 per cent. (92%) of the market price at the date of the announcement of the terms of issue of such securities. Such adjustment shall become effective (if appropriate, retroactively) from the close of business in Hong Kong on the Business Day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price;

if and whenever the rights of conversion or exchange or acquisition or subscription attached to any such securities as are mentioned in this sub-paragraph (e) above are modified so that the Total Effective Consideration per Share initially receivable for such securities shall be less than 92 per cent. (92%) of the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or acquisition or subscription. Such adjustment shall become effective as at the date upon which such modification shall take effect; and

(f) If and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 92 per cent. (92%) of the market price at the date of the announcement of the terms of such issue. Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for such issue.

Ranking of  
Conversion Shares:

The Conversion Shares issued upon conversion of the Convertible Notes will in all respects *pari passu* with the existing Shares outstanding on the Exercise Date.

Redemption:

Unless previously converted, repaid or cancelled in accordance with the terms provided in the Note Instrument, such Note will be redeemed by the Company at its principal amount outstanding together with accrued and unpaid interest thereon up to and including the Maturity Date, in Hong Kong dollars.

Furthermore, (A) at any time or from time to time between the day falling on the second anniversary of the issue of the Notes by the Company and the Maturity Date, and (B) if the closing price of the Shares on the Stock Exchange equals or exceeds HK\$3.00 for the five (5) consecutive trading days immediately preceding the date of the Company's notice of redemption (the "**Redemption Date**"), the Company may issue a notice of redemption to redeem, without any penalty, in part (in integral multiples of HK\$10,000,000) or in whole the Notes at its principal amount outstanding together with accrued and unpaid interest thereon up to and including the third Business Day after the Redemption Date, in Hong Kong dollars.

Transferability:

- (a) The Convertible Notes shall not be assigned or transferred in whole or in part (in multiples of HK\$10,000,000) to any person unless:
  - (i) there is an Event of Default or an Event of Default which is capable of remedy but has not been remedied pursuant to Note Instrument;
  - (ii) the Noteholder transfers any or all of the Convertible Notes to any of its Affiliate(s) with prior notification to the Company; and
  - (iii) the provisions set out in sub-paragraph (b) below have been complied with.
- (b) any assignment or transfer of the Convertible Notes shall be made in accordance with the following:
  - (i) it shall be subject to compliance with the conditions under the Convertible Notes and to the conditions, approvals, requirements and any other provisions of or under:
    - (A) the Stock Exchange (and any other stock exchange on which the Shares may be listed at the relevant time) or their rules and regulations;
    - (B) the approval for the listing of, and permission to deal in, the Conversion Shares granted by the Stock Exchange prior to the Completion Date; and
    - (C) all applicable laws, rules and regulations.

Voting:

No Noteholder will be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of being the holder of a Convertible Note.

Conduct on  
Transfer of  
Conversion Shares:

If the Noteholder intends to transfer any Conversion Shares, the Noteholder shall, no less than two (2) Business Days prior to the first date of the proposed transfer, or, if it is not reasonably and commercially practicable to do so, then as soon as reasonably and commercially practicable thereafter (which, for the avoidance of doubt, may be following the completion of such transfer) send a written notice to the Company with (a) the range of Conversion Shares (the “**Proposed Sale Shares**”) proposed to be transferred, (b) the price range in which the Noteholder is prepared to accept for the Proposed Sale Shares, (c) the name of the placing agent (if any), and (d) in the case where the proposed transfer is to be implemented by way of off-market sale, a confirmation that no Proposed Sale Share will, to the knowledge of the Noteholder, be placed to any connected person of the Company, or in the case where the proposed transfer is to be implemented by way of on-market sale, a confirmation that the Noteholder shall not carry out any on-market sale to deliberately circumvent the requirement set out above.

For the avoidance of doubt, the Noteholder shall not have any obligation to re-notify the Company if the Proposed Sale Shares are transferred in multiple transactions. Within two (2) Business Days after the completion of transfer of all Proposed Sale Shares, the Noteholder shall issue a notice to the Company to inform the Company of the completion of the transfer.

Events of Default:

Upon the occurrence of any of the following events (an “**Event of Default**”), each Noteholder shall be entitled to require, by lodging “the EOD Notice of Repayment” to the Company, the Convertible Notes registered in its name to be redeemed at its principal amount outstanding together with accrued and unpaid interest thereon up to and including date of the EOD Notice of Repayment (provided that if such Event of Default which is capable of being remedied but is not remedied during the Cure Period (as defined below) pursuant to Note Instrument, the interest shall accrue until the last day of the Cure Period), in Hong Kong dollars, which at the time of such EOD Notice of Repayment (where the Event of Default is not capable of remedy) or on the last day of the Cure Period (where the Event of Default is capable of remedy) shall become immediately due and payable:

- (a) any failure by the Company to pay the outstanding principal and/or any interest due and payable on any Convertible Note on its due and/or any other amount due and payable under the Subscription Agreements on its due date in the manner specified in the Subscription Agreements unless (in the case of any payment of principal or interest) its failure to pay is caused by administrative or technical error and payment is made within two (2) Business Days of its due date;

- (b) any failure by the Company, for any reason, to issue the Conversion Shares upon exercise of the Conversion Rights by any Noteholder pursuant to the Note Instrument;
- (c) Mr. Sum Kwong Yip, Derek ceases to be (i) the single largest controlling shareholder (as defined under the Listing Rules) of the Company, or (ii) an executive director of the Company;
- (d) any representation, warranties, certification or statement made by the Company under the Subscription Agreements or the Note Instrument (as applicable) shall have been incorrect, misleading or false in any material respect;
- (e) any material failure on the part of the Company to perform or observe any covenant, condition, provision or obligation contained in the Subscription Agreements, the Convertible Notes or the Note Instrument;
- (f) the Subscription Agreements, the Convertible Notes or the Note Instrument shall be held in any judicial proceedings to be unenforceable or invalid, or not perfected, or cease or fail for any reason to be in full force and effect or to create or constitute an interest with the priority and effect required under such document;
- (g) it becomes illegal under any applicable law for the Company to perform or comply with any one or more of its/his obligations under the Subscription Agreements, the Convertible Notes or the Note Instrument or any enforceable final ruling is rendered by a competent court to the effect that any obligation of the Company under the Subscription Agreements, the Convertible Notes the Note Instrument is illegal or invalid;
- (h) (i) any other present or future indebtedness (whether actual or contingent) of the Company or any other Group Member for or in respect of any indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Company or any other Group Member fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any indebtedness; or (iv) any commitment for any indebtedness of the Company or any other Group Member is cancelled or suspended by a creditor of such company, or (v) any creditor of the Company or any other Group Member becomes entitled to declare any indebtedness of such company due and payable, which has or is likely to have, either individually or in the aggregate, a Material Adverse Effect;

- (i) an encumbrancer takes possession or an administrative or other receiver or an administrator or other similar officer is appointed of any part of the property, assets or revenues of the Company or any other Group Member and is not discharged within ten (10) Business Days;
- (j) any case, proceeding or other action being commenced by or against the Company or any other Group Member: (i) under any law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganisation or relief of debtors (collectively, “**Bankruptcy Law**”), seeking to have an order for relief entered with respect to it, or seeking to adjudicate it bankrupt or insolvent, or seeking reorganisation, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other similar relief to it or its debts; or (ii) seeking appointment of a liquidator, administrator, administrative receiver, receiver, trustee, custodian, conservator or other similar official for it or for all or any part of its assets;
- (k) any one or more events or changes shall have occurred that have caused or constitute or likely to cause or constitute, either in any case or in the aggregate, a Material Adverse Effect;
- (l) the Company or any other Group Member, pursuant to or within the meaning of the applicable Bankruptcy Laws for the relief of debtors, (i) commences a voluntary case, (ii) consents to the entry of an order for relief against it in an involuntary case, (iii) consents to the appointment of a liquidator, administrator, administrative receiver, receiver, trustee, assignee, liquidator or similar official, (iv) initiates or consents to any proceedings relating to itself under any Law for a readjustment or deferment of its obligations or any part of them, (v) makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors, (vi) admits in writing that it is generally unable to pay its debts as they become due, or (vii) stops or threatens to cease to carry on its or any substantial part of its business;
- (m) the Group ceases to carry on the Business or engages in any material business activity other than business activity substantially related to the Business;

- (n) (a) all or any substantial part of the undertaking, assets and revenues of the Company or any Group Member is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (b) the Company or any Group Member is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues;
- (o) the trading in the Shares on the Stock Exchange is suspended for any reason other than pending release of announcement relating to any inside information under the Listing Rules or the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), any notifiable and/or connected transaction under Chapters 14 and/or 14A of the Listing Rules, and/or any announcement to be made pursuant to The Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission;
- (p) the Company submits a notification to the Stock Exchange of its proposed cancellation of the admission of the Shares;
- (q) the Company's Shareholders approve a resolution to delist the Company from the Main Board of the Stock Exchange;
- (r) the Company ceases to be listed on Stock Exchange; and
- (s) any other Noteholder has delivered an EOD Notice of Repayment.

#### Cure Period

Upon the occurrence of an Event of Default (other than that under paragraph (a) of "Events of Default") which in the reasonable opinion of the Company is capable of remedy, the Company shall promptly notify the Noteholder in writing upon receipt of the EOD Notice of Repayment and remedy such Event of Default within fourteen (14) Business Days or such later date as may be approved by Noteholders of over 75% in aggregate principal amount of the outstanding Notes) (the "**Cure Period**") of the earlier of (a) the date of the EOD Notice of Repayment and (b) the date on which the Company becomes aware of the occurrence of an Event of Default. Under such circumstances, no default interest shall be payable for the Cure Period. Upon an Event of Default having been remedied, the Company shall provide proof to the satisfaction of the Noteholder that such Event of Default has been remedied.

## **CONVERSION PRICE AND CONVERSION SHARES**

The initial Conversion Price is HK\$2.50 per Conversion Share, which represents:

- (a) a premium of approximately 23.76% to the Closing Price of HK\$2.02 on the Last Trading Date;
- (b) a premium of approximately 21.12% to the average Closing Price of HK\$2.064 for the last five Trading Days up to and including the Last Trading Date; and
- (c) a premium of approximately 21.48% to the average Closing Price of HK\$2.058 for the last ten Trading Days up to and including the Last Trading Date.

The Conversion Price was determined after arm's length negotiation between the Company and the Subscribers with reference to the recent trading prices of the Shares on the Stock Exchange. The Directors are of the view that the Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Based on the initial Conversion Price of HK\$2.50 per Conversion Share, a maximum number of 200,000,000 Shares will be allotted and issued upon exercise of the Conversion Rights attached to the Convertible Notes in full, representing (i) approximately 11.02% of the issued share capital of the Company as at the date of this announcement, and (ii) approximately 9.92% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares (without taking into account any Shares that may be issued under the Share Option Scheme). The aggregate nominal value of the Conversion Shares will be HK\$2 million.

The Conversion Shares, when issued, will rank pari passu in all respects with the Shares then in issue on the Exercise Date.

## **ISSUE OF THE CONVERSION SHARES UNDER THE GENERAL MANDATE**

Pursuant to a resolution in writing of all the then Shareholders of the Companies on 30 August 2016, the Company is authorized to allot and otherwise deal with up to 20% of the total nominal value of the Company's share capital in issue immediately following the completion of the global offering of the Company as set out in the Prospectus, which amounted to 350,000,000 Shares. The Directors have not exercised the power to allot and issue any new Shares pursuant to the General Mandate. Accordingly, the Conversion Shares to be issued upon conversion of the Convertible Notes will be allotted and issued under the General Mandate and, as such, no Shareholders' approval is required for the Subscription.

The Company will monitor its corporate actions which could trigger adjustments to the Conversion Price as described above to ensure the General Mandate is sufficient to cover the allotment and the issue of all Conversion Shares.

## **INFORMATION ON THE GROUP**

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

## **INFORMATION ON THE SUBSCRIBERS**

### ***Dragons***

Dragons 615 Limited, a limited liability company incorporated under the laws of the British Virgin Islands and owned as to 100% by DCP China Credit Fund I, L.P. (“**DCP Fund**”). DCP Fund is an exempted limited partnership formed under the laws of the Cayman Islands. The general partner of DCP Fund is Dignari Capital Partners GP Limited, a limited liability company incorporated under the laws of the Cayman Islands. The sole investment advisor of DCP Fund is Dignari Capital Partners (HK) Limited (“**Dignari Capital Partners**”), a limited liability company incorporated under the laws of Hong Kong and is licensed by the Securities and Future Commission of Hong Kong. Dignari Capital Partners is an investment management firm specializing in credit and special situations investments in the Greater China region. By connecting the right capital and opportunities together, their vision is to help companies realize their full potential, while offering investors of DCP Fund attractive risk-adjusted returns. DCP Fund is funded by renowned international institutional investors and a Singapore sovereign fund which is a wholly-owned subsidiary of Temasek Holdings.

### ***HH JP***

HH InRe JP, Ltd. is an exempted company incorporated under the laws of the Cayman Islands with limited liability which is indirectly wholly-owned by Hillhouse InRe Fund, L.P. The general partner of Hillhouse InRe Fund, L.P. is Hillhouse InRe Fund GP, Ltd. and its sole investment manager is Hillhouse Capital Management, Ltd. (“**Hillhouse Capital**”). HH JP is principally engaged in investment holding.

Founded in 2005, Hillhouse Capital is a global firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Independent proprietary research and industry expertise, in conjunction with world-class operating and management capabilities, are key to Hillhouse Capital’s investment approach. Hillhouse Capital partners with exceptional entrepreneurs and management teams to create value, often with a focus on enacting innovation and technological transformation. Hillhouse Capital invests in the healthcare, consumer, TMT, advanced manufacturing, financials and business services sectors in companies across all equity stages. Hillhouse Capital and its group members manage US\$30 billion in assets on behalf of institutional clients such as university endowments, foundations, sovereign wealth funds, and family offices.

## EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, save for the outstanding options granted under the Share Option Scheme, the Company has no outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares. The following table sets out the effect of the Subscription on shareholding structure of the Company, assuming that (1) no shares will be issued pursuant to any exercise of the share options granted or to be granted under the Share Option Scheme and (2) no Shares will be issued or repurchased during the period between the date of this announcement and up to and including the date on which the Convertible Notes are fully converted:

Shareholders	As at the date of this announcement		Immediately after the issue of the Conversion Shares upon full conversion of the Convertible Notes at the initial Conversion Price of HK\$2.50	
	Shares	%	Shares	%
Sum Kwong Yip, Derek (“ <b>Mr. Sum</b> ”) <sup>(1)(3)</sup>	1,288,662,000	70.98%	1,288,662,000	63.93%
Kingshill Development Limited (“ <b>Kingshill</b> ”) <sup>(2)</sup>	1,007,734,000	55.50%	1,007,734,000	50.00%
Longjin Investments Limited (“ <b>Longjin</b> ”) <sup>(2)</sup>	1,007,734,000	55.50%	1,007,734,000	50.00%
Kingshill Development Group Inc. (“ <b>Trust Co</b> ”) <sup>(3)</sup>	1,007,734,000	55.50%	1,007,734,000	50.00%
UBS Trustees (B.V.I.) Limited <sup>(3)</sup>	1,007,734,000	55.50%	1,007,734,000	50.00%
Lau Wing Hung (“ <b>Mr. Lau</b> ”) <sup>(2)</sup>	1,007,734,000	55.50%	1,007,734,000	50.00%
Queenshill Development Limited (“ <b>Queenshill</b> ”) <sup>(1)</sup>	288,512,000	15.89%	288,512,000	14.31%
Subscribers:				
Dragons <sup>(4)</sup>	0	0.00%	112,000,000	5.56%
HH JP <sup>(4)</sup>	0	0.00%	88,000,000	4.37%
Directors:				
Yim Chun Leung	15,350,000	0.85%	15,350,000	0.76%
Pun Yue Wai	1,220,000	0.07%	1,220,000	0.06%
Lam Kwing Tong, Alan <sup>(5)</sup>	364,000	0.02%	364,000	0.02%
Ex-Director:				
Lo Chun Bun <sup>(6)</sup>	660,000	0.04%	660,000	0.03%
Subsidiary directors	5,838,000	0.32%	5,838,000	0.29%
Other public Shareholders	503,531,000	27.73%	503,531,000	24.98%
Total	<u>1,815,625,000</u>	<u>100.00%</u>	<u>2,015,625,000</u>	<u>100.00%</u>

*Notes:*

- (1) Mr. Sum is the sole shareholder of The Jacobson Pharma (PTC) Limited, being the trustee of the trust established for the purpose of holding the shares under the Share Incentive Scheme. Queenshill is the settlor of such trust. By virtue of the SFO, Mr. Sum and Queenshill are deemed to be interested in the 19,178,000 shares held by The Jacobson Pharma (PTC) Limited. Mr. Sum is also the sole shareholder of Queenshill.
- (2) Kingshill and Longjin are parties acting in concert pursuant to a deed of acting in concert and hence each of them is deemed to be interested in the Shares held by each other. Please refer to the section headed “Relationship with our Controlling Shareholders” of the Prospectus for further details. Kingshill is wholly-owned by Trust Co under The Kingshill Trust, a discretionary trust established by Mr. Sum (as the settlor). Longjin is owned as to 75% by Mr. Lau.
- (3) UBS Trustees (B.V.I.) Limited, the trustee of The Kingshill Trust, holds the entire issued share capital of Trust Co through its nominee, UBS Nominees Limited. Trust Co holds the entire issued share capital of Kingshill. Kingshill in turn holds 850,684,000 Shares in the Company. The Kingshill Trust is a discretionary trust established by Mr. Sum (as the settlor) with Mr. Sum and his family members as the discretionary beneficiaries (directly and through The Queenshill Trust). By virtue of the SFO, each of Mr. Sum, UBS Trustees (B.V.I.) Limited, Trust Co and Kingshill is deemed to be interested in the 850,684,000 Shares held by Kingshill.
- (4) To the best knowledge of the Directors, each of Dragons and HH JP and their ultimate beneficial owners are independent third parties. Any Conversion Shares to be held by Dragons and HH JP upon exercise of the conversion rights under the Convertible Notes will be counted towards the Company’s public float for the purpose of Rule 8.08 of the Listing Rules.
- (5) Dr. Lam Kwing Tong, Alan is deemed to hold shares interests by virtue of the SFO.
- (6) Mr. Lo Chun Bun resigned on 1 February 2017.

## **USE OF PROCEEDS**

The aggregate gross proceeds from the Subscription would be HK\$500,000,000. The net proceeds from the Subscription, after deducting all related fees and expenses, are estimated to be approximately HK\$490,000,000. Based on the net proceeds of approximately HK\$490,000,000, the net price per Conversion Share converted from the Convertible Notes is approximately HK\$2.45.

The Board intends to use the proceeds from the Subscription 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.

## **REASONS FOR THE ISSUE OF THE CONVERTIBLE NOTES**

The Group is principally engaged in generic drug and proprietary medicine businesses and aspires to extend its pre-eminent position in Hong Kong to other strategically-important markets in Asia Pacific. The issue of the Convertible Notes will not only strengthen the capital base of the Group, but also boost its cash position thus enabling it to gather stronger growth momentum. The proceeds from the Subscription are estimated to be HK\$500,000,000 and are intended for (a) funding potential acquisitions or forming strategic alliances in the Asia Pacific region with a view to expanding the Group's geographical reach and market presence for its generic drug and proprietary medicine businesses; and (b) supporting in-licensing and direct investment on technologically-oriented bio-pharmaceutical projects to contemplate an entry into the innovation-driven therapeutic area.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Subscription Agreements and the transactions contemplated thereunder (including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares upon exercise of the Conversion Rights attached to the Convertible Notes), which are determined after arm's length negotiations between the Company and the Subscribers, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **FUND-RAISING ACTIVITIES BY THE COMPANY IN THE LAST 12 MONTHS**

The Company was listed on the Stock Exchange on 21 September 2016 with the stock code of 2633. The total number of offer shares in the Global Offering (as defined in the Prospectus) was 503,125,000 Shares (including 65,625,000 Shares under the over-allotment option), with the offer price was HK\$1.50 per Share, and the nominal value was HK\$0.01 per Share.

The total net proceeds amounted to approximately HK\$695.5 million. Pursuant to the purposes set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus, approximately 20% of the net proceeds will be used for acquisitions of target businesses; 15% for the acquisition of targets with local distribution network; approximately 10% for intangible asset acquisitions; approximately 18% will be used for the capital investments in relation to acquiring, expanding, streamlining or upgrading our manufacturing plants, premises, facilities or capabilities; approximately 15% for pursuing bioequivalence clinical studies for specialized generic drugs and further elevating product development and research capabilities; approximately 12% for bolstering sales, marketing and advertising efforts for the next five years to enhance brand recognition and fortify brand loyalty for products and businesses; and approximately 10% for working capital and other general corporate purposes. As of the date of this announcement, the Company has used HK\$428,472,000 of the proceeds, for each of the purposes listed above.

Save for above, the Company has not conducted any fund raising activities during the past 12 months immediately preceding the date of this announcement.

## **APPLICATION FOR LISTING**

No application will be made by the Company to the Stock Exchange for listing of the Convertible Notes. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

## **DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES**

As the Note Instrument provided, among other things, a specific performance obligation on the controlling shareholder of the Company, Mr. Sum Kwong Yip, Derek, to maintain his status as the single largest controlling shareholder of the Company and a cessation of such status will result in a default therein, the Directors make this announcement in compliance with the general disclosure obligations under Rule 13.18 of the Listing Rules in accordance with the requirements under Rule 13.21 of the Listing Rules, the Company will make disclosures in its subsequent interim and annual reports for so long as circumstances giving rise to the abovementioned specific performance obligation of the controlling shareholder continue to exist.\_

**Shareholders and potential investors should note that completion of the Subscription is subject to the fulfillment or waiver of the Conditions Precedent. As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## **DEFINITIONS**

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

“Affiliates”	any individual or entity which directly or indirectly, through one or more intermediaries, Controls, or is Controlled by, or is under common control with such individual or entity. In the case of an Affiliate of a Noteholder, the term “Affiliates” also includes any general partner or limited partner of any investment fund Controlling such Noteholder
“Board”	the board of Directors
“Business”	manufacturing, marketing and sale of generic drugs and proprietary medicines
“Business Day”	a day (except a Saturday, a Sunday or a public holiday) on which banks in Hong Kong, Singapore, New York and the PRC are open for business throughout their normal business hours

“Capital Distribution”	without prejudice to the generality of that phrase, includes distributions in cash or specie or in both. Any dividend charged or provided for in the accounts for any financial period shall (whenever paid and however described) be deemed to be a Capital Distribution
“Certificate(s)”	a certificate issued to each Noteholder in respect of its registered holding of the Notes
“Closing Price”	the closing price per Share quoted on the daily quotation list of the Stock Exchange for such day
“Company”	Jacobson Pharma Corporation Limited (Stock Code: 2633), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the issue and subscription of the Convertible Notes, which shall take place within 10 Business Days or such other time or date as the parties may agree in writing following the satisfaction or waiver of the Conditions Precedent
“Completion Date”	the date of the Completion
“Conditions Precedent”	the conditions precedent to the Completion
“connected person”	has the meaning ascribed to it under the Listing Rules
“Control”	with respect to any person means possession, direct or indirect, of the power to direct, or cause the direction of the management, policies or activities of such person, whether through the ownership of voting securities, by contract or otherwise, and “Controlling”, “Controlled by” and “under common control with” shall be construed accordingly
“Conversion Price”	the price per Conversion Share, such price initially being HK\$2.50 per Conversion Share, subject to adjustments in accordance with the terms of the Note Instrument
“Conversion Rights”	the rights attached to the Convertible Notes to convert the principal amount of the Convertible Notes into Shares of the Company
“Conversion Shares”	the Shares to be issued upon conversion of the Convertible Notes

“Convertible Notes”	the 3.5% convertible notes in an aggregate principal amount of HK\$500 million due in 2020 to be issued by the Company to the Subscribers under the Subscription Agreements
“Directors”	the directors of the Company
“Dragons”	Dragons 615 Limited, a company incorporated in the British Virgin Islands and one of the Subscribers
“Dragons Subscription Agreement”	the agreement between the Company and Dragons in respect of the subscription of the Notes in an aggregate amount of HK\$280,000,000
“Events of Default”	refers to the events set out in the paragraph headed “Principal Terms of the Convertible Notes – Events of Default”
“Exercise Date”	a date on which a notice is given pursuant to Note Instrument in respect of the exercise of the Conversion Rights in accordance therewith
“General Mandate”	pursuant to a resolution in writing of all the then Shareholders on 30 August 2016, the Company is authorized to allot and otherwise deal with up to 20% of the total nominal value of the Company’s share capital in issue immediately following the completion of the global offering of the Company as set out in the Prospectus, which amounted to 350,000,000 Shares
“Group”	the Company and its Subsidiaries, and “Group Member” shall be a member of the Group
“HH JP”	HH InRe JP, Ltd.
“HH JP Subscription Agreement”	the agreement between the Company and HH JP in respect of the subscription of the Notes in an aggregate amount of HK\$220,000,000
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“independent third party”	person or company which is independent of the Company and its connected persons
“Interest Payment Date”	the date ending on the last day of each three (3)-month period (falling on 31 March, 30 June, 30 September and 31 December) after the Issue Date

“Issue Date”	the date when the Convertible Notes are issued by the Company to the Subscribers in accordance with the terms of the Subscription Agreements
“Jefferies”	Jefferies Hong Kong Limited
“Last Trading Date”	5 September 2017, being the last Trading Day for the Shares immediately prior to the publication of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Long Stop Date”	17 November 2017 or such other date as may be mutually agreed by the parties
“Material Adverse Effect”	<p>a material adverse effect on:</p> <ul style="list-style-type: none"> <li>(a) the validity or enforceability of the Subscription Agreements or, the Convertible Notes (including the Note Instrument);</li> <li>(b) the Business, operations, assets, liabilities, property, condition (financial or otherwise) or prospects of the Company, any Group Member or the Group taken as a whole;</li> <li>(c) the ability of the Company to perform its obligations under the Subscription Agreements or the Convertible Notes (including the Note Instrument);</li> <li>(d) the rights and remedies of the Subscribers under the Subscription Agreements or the Convertible Notes (including the Note Instrument); or</li> <li>(e) the validity or enforceability of the Subscription Agreements or the Convertible Notes (including the Note Instrument),</li> </ul> <p>and without prejudice to and limiting the generality of any of the foregoing, any adverse effect resulting in any loss, directly or indirectly, of at least HK\$20,000,000 or its equivalent, to the Company and/or any other Group Member shall be deemed to constitute a Material Adverse Effect</p>
“Maturity Date”	the date falling on the third anniversary of the Issue Date, or if that date is not a Business Day, the Business Day immediately following that date

“Noteholder(s)”	holder(s) of the Convertible Note(s) from time to time
“Note Instrument”	the instrument constituting the Convertible Notes
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus issued by the Company dated 8 September 2016
“Register of Noteholders”	a register to be kept by the Company at its registered office in the Cayman Islands on which shall be entered the names and addresses of the holders of the Convertible Notes as well as the particulars of the Convertible Notes held by them and of all transfers of the Convertible Notes
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Incentive Scheme”	the share incentive scheme conditionally adopted by our Company on 30 August 2016, the principal terms of which are summarised in “Statutory and General Information — D. Other Information — 2. Share Incentive Scheme” in Appendix V to the Prospectus
“Share Option Scheme	the share option scheme conditionally adopted by our Company on 30 August 2016, the principal terms of which are summarised in “Statutory and General Information – D. Other Information – 1. Share Option Scheme” in Appendix V to the Prospectus
“Shareholders”	the holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	Dragons and HH JP
“Subscription”	the subscription of the Convertible Notes by the Subscribers pursuant to the Subscription Agreements
“Subscription Agreements”	collectively, the Dragons Subscription Agreement and the HH JP Subscription Agreement
“Subsidiary”	has the meaning ascribed to it under the Listing Rules

“Total Effective Consideration”	receivable for the securities issued means the consideration receivable by the Company for any such securities plus the additional minimum consideration (if any) to be received by the Company and/or the Company (if not the Company) upon (and assuming) the conversion or exchange thereof or the exercise of such acquisition or subscription rights and the Total Effective Consideration per new Share shall be the Total Effective Consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise of such acquisition or subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue
“Trading Day(s)”	a day on which the Shares are traded on the Stock Exchange pursuant to the Rules and Regulations of the Exchange and Options Trading Rules and an official closing price per Share is provided by the Stock Exchange
“US\$”	US dollar(s), the lawful currency of the United States of America
“%”	per cent.

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

Hong Kong, 6 September 2017

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