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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

Subscription of New Shares under the General Mandate and Letter of intent in relation to the feasibility studies on possible business co-operation

SUBSCRIPTION

On 14 August 2018 (after trading hours), the Company (as issuer) entered into the Subscription Agreement with Yunnan Baiyao in respect of 200,000,000 Subscription Shares at the Subscription Price of HK\$2.06 per Share.

As at the date of this announcement, the authorised share capital of the Company is HK\$50,000,000.00 divided into 5,000,000,000 Shares of which 1,815,625,000 Shares are in issue. There are Share Options carrying subscription rights to subscribe for 36,100,000 Shares outstanding pursuant to Share Option Scheme of the Company and Convertible Notes carrying conversion rights for a maximum of 200,000,000 Shares.

The aggregate 200,000,000 Subscription Shares represent (i) approximately 11.02% of the existing issued share capital of the Company as at the date of this announcement; (ii) approximately 9.92% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the completion of the Subscription save for the allotment and issue of the Subscription Shares); and (iii) approximately 8.88% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, the Option Shares and Shares converted from the Convertible Notes (assuming there are no other allotments and issue of Shares, no other options under the Share Option Scheme are granted or exercised, no further convertible notes are issued and no warrants are created and granted).

Completion of the Subscription is conditional on certain conditions precedent as more particularly set out in the Subscription Agreement, including the granting of listing status of the Subscription Shares.

The gross proceeds of the Subscription will be approximately HK\$412,000,000. The net proceeds from the Subscription, after deducting all related fees and expenses, are estimated to be approximately HK\$411,600,000. The Board intends to apply approximately HK\$205,800,000 of the proceeds of the Subscription for funding potential merger and acquisitions, strategic alliances as well as for in-licensing pharmaceutical or medical products to enrich the Company's product portfolio; approximately HK\$164,640,000 for capital investment in relation to acquiring, expanding or upgrading our operating facilities; as well as approximately HK\$41,160,000 as general working capital of the Group.

General Mandate

The Subscription Shares will be issued under the General Mandate granted to the Directors at the AGM and the issue of the Subscription Shares will not be subject to the approval by the Shareholders.

Application will be made to the Stock Exchange for the listing of, and permission to deal, in the Subscription Shares.

Warning

Completion of the Subscription is subject to a number of conditions. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

LETTER OF INTENT

On 14 August 2018, the Company entered into a non-legally binding letter of intent (“**LOI**”) with Yunnan Baiyao pursuant to which the parties agreed to conduct feasibility studies on possible business co-operation within three months from the date of the LOI. Further announcement will be made by the Company in accordance with the Listing Rules, if required.

Subscription Agreement

On 14 August 2018, the Company (as issuer) entered into the Subscription Agreement with Yunnan Baiyao (as subscriber) in respect of 200,000,000 Subscription Shares at the Subscription Price of HK\$2.06 per Share.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries on the Subscriber and its ultimate owner(s) or beneficiar(ies) are third part(ies) independent of the Company and are not connected persons (as defined in the Listing Rules) of the Company.

Subscription Shares

As at the date of this announcement, the authorised share capital of the Company is HK\$50,000,000.00 divided into 5,000,000,000 Shares of which 1,815,625,000 Shares are in issue. There are Share Options carrying subscription rights to subscribe for 36,100,000 Shares outstanding pursuant to Share Option Scheme of the Company and Convertible Notes carrying conversion rights for a maximum of 200,000,000 Shares.

The aggregate 200,000,000 Subscription Shares represent (i) approximately 11.02% of the existing issued share capital of the Company as at the date of this announcement; (ii) approximately 9.92% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the completion of the Subscription save for the allotment and issue of the Subscription Shares); and (iii) approximately 8.88% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, the Option Shares and Shares converted from the Convertible Notes (assuming there are no other allotments and issue of Shares, no other options under the Share Option Scheme are granted or exercised, no further convertible notes are issued and no warrants are created and granted).

Rights of the Subscription Shares

The Subscription Shares will be credited as fully paid and rank *pari passu* with all other issued Shares in all respects as at the date of issue.

The Subscription Price

The Subscription Price is HK\$2.06 per Share, which represents:

- (i) a premium of approximately 13.81% to the closing price of HK\$1.810 per Share as quoted on the Stock Exchange on 14 August 2018, the Last Trading Day and the date when the Subscription Price was fixed;
- (ii) a premium of approximately 13.56% to the average of the closing prices of approximately HK\$1.814 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date when the Subscription Price was fixed; and
- (iii) a premium of approximately 13.75% to the average of the closing prices of approximately HK\$1.811 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

The Subscription Price was negotiated on an arm's length basis between the Company and the Subscriber and was determined with reference to the historical and prevailing market prices of the Shares.

Non-Disposal Restriction

The Subscriber has undertaken not to dispose of the Subscription Shares or otherwise enter into any agreement or arrangement to dispose of, grant option or encumber the Subscription Shares within a period of 3 years after the issuance of the Subscription Shares.

Completion of the Subscription

The Subscription under each of the Subscription Agreement is conditional on the following:

- (i) the Subscriber having obtained all necessary consents and approvals from its internal decision-making body as well as all relevant Mainland China authorities in connection with the Subscription;
- (ii) the warranties of the Subscriber and the Company remaining true and accurate in all material respects and are not misleading;
- (iii) the Company having obtained all necessary internal consents and approvals and has issued an announcement in relation to the Subscription pursuant to the requirements under the Listing Rules;
- (iv) the Listing Committee of the Stock Exchange granting approval on the listing of and permission to deal in the Subscription Shares;
- (v) there are no significant adverse changes in the Group since the date of the Subscription Agreement;

- (vi) the Shares remain listed on the Stock Exchange since the date of the Subscription Agreement; and
- (vii) the trading of the Shares has not been suspended for more than ten consecutive trading days.

The Subscriber shall be responsible for the fulfilment of conditions (i) and (ii) while the Company shall be responsible for the fulfilment of conditions (ii) to (vii). The Company may waive condition (ii) and the Subscriber may waive conditions (ii), (v) and (vii). Conditions (iv) and (vi) cannot be waived by any party to the Subscription Agreement. In the event the conditions are not fulfilled or waived within three months of the date of the Subscription Agreement (or such other date as the parties may agree), the Subscription Agreement will cease to be effective.

Termination of the Subscription

The Subscription Agreement provides that if prior to the closing of the Subscription any terms of the Subscription Agreement cannot be fulfilled due to no fault of any party (and such non-fulfilment is not reasonably foreseen by the parties as at the date of the Subscription Agreement), a party may terminate the Subscription Agreement by giving notice in writing to the other party.

WARNING

Given that completion of the Subscription is subject to a number of conditions, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Completion

The completion of the Subscription is expected to take place within three Business Days after the fulfilment or waiver of the condition precedents under the Subscription Agreement (or such other date as the parties may agree). If a party is not in a position to complete the transaction on such completion date, the other party may defer Completion to such date within 1 month of the original completion date.

GENERAL MANDATE TO ISSUE THE SUBSCRIPTION SHARES

The issue of the Subscription Shares will not be subject to the approval by the Shareholders and the Subscription Shares will be issued under the General Mandate granted to the Directors at the AGM. Pursuant to the General Mandate, the total number of new Shares that the Company is authorised to issue is 363,125,000 Shares, representing 20% of the issued nominal capital of the Company as at the date of the AGM.

Since the date of the AGM and up to the date of this announcement, no new Shares have been allotted and issued by the Company under the General Mandate.

APPLICATION FOR LISTING

Application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement, (ii) immediately after completion of the Subscription but before the exercise of the Share Options and (iii) immediately after completion of the Subscription and the exercise of the Share Options in full (assuming there are no other allotments and issue of Shares and no options under the Share Option Scheme are granted or exercised and no further warrants created and granted):

Shareholders	Immediately before the Subscription		Immediately after the Subscription but before any exercise of Share Option and the conversion of Convertible Notes		Immediately after the Subscription and exercise of Shares Options and the conversion of Convertible Notes in full	
	Shares	% ⁽⁶⁾	Shares	% ⁽⁶⁾	Shares	% ⁽⁶⁾
Sum Kwong Yip, Derek⁽¹⁾⁽³⁾	1,288,399,000	70.96%	1,288,399,000	63.92%	1,288,399,000	57.22%
Kingshill Development Limited ⁽³⁾⁽⁴⁾	850,684,000	46.85%	850,684,000	42.20%	850,684,000	37.78%
Queenshill Development Limited ⁽²⁾	268,650,000	14.80%	268,650,000	13.33%	268,650,000	11.93%
The Jacobson Pharma (PTC) Limited ⁽²⁾	12,015,000	0.66%	12,015,000	0.60%	12,015,000	0.53%
Lau Wing Hung⁽¹⁾⁽³⁾⁽⁵⁾	1,007,734,000	55.50%	1,007,734,000	50.00%	1,007,734,000	44.75%
Longjin Investments Limited ⁽³⁾⁽⁵⁾	157,050,000	8.65%	157,050,000	7.79%	157,050,000	6.97%
Directors	28,050,000	1.54%	28,050,000	1.39%	46,050,000	2.04%
Yim Chun Leung	26,150,000	1.44%	26,150,000	1.30%	39,650,000	1.76%
Pun Yue Wai	1,460,000	0.08%	1,460,000	0.07%	5,960,000	0.26%
Lam Kwing Tong, Alan ⁽⁷⁾	440,000	0.02%	440,000	0.02%	440,000	0.02%
Subsidiary directors	7,029,000	0.39%	7,029,000	0.35%	16,229,000	0.72%
Public Shareholders	492,147,000	27.11%	692,147,000	34.34%	901,047,000	40.02%
Convertible Note holders						
Dragons 615 Limited ⁽⁶⁾	–	–	–	–	112,000,000	4.97%
HH InRe JP. Ltd. ⁽⁶⁾	–	–	–	–	88,000,000	3.91%
Subscriber						
Yunnan Baiyao	0	0%	200,000,000	9.92%	200,000,000	8.88%
Other public Shareholders ⁽⁸⁾	492,147,000	27.11%	492,147,000	24.42%	501,047,000	22.25%
Total	1,815,625,000	100%	2,015,625,000	100%	2,251,725,000	100%

Notes:

- (1) Mr. Sum Kwong Yip, Derek (“**Mr. Sum**”) is deemed to be interested in 1,288,399,000 Shares. Please refer to notes (2), (3), (4) and (5) below. Mr. Lau Wing Hung (“**Mr. Lau**”) is deemed to be interested in 1,007,734,000 Shares. Please refer to notes (3) and (5) below.
- (2) 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 Development Limited (“**Queenshill**”) is the settlor of such trust. By virtue of the SFO, Mr. Sum and Queenshill are deemed to be interested in the 12,015,000 Shares held by The Jacobson Pharma (PTC) Limited. Mr. Sum is the sole shareholder of Queenshill, which in turn holds 268,650,000 Shares.
- (3) Kingshill Development Limited (“**Kingshill**”) and Longjin Investments Limited (“**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.
- (4) UBS Trustees (B.V.I.) Limited, the trustee of The Kingshill Trust, holds the entire issued share capital of Trust Co (as defined below through its nominee, UBS Nominees Limited. Trust Co holds the entire issued share capital of Kingshill. 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). Kingshill is wholly-owned by Kingshill Development Group Inc. (“**Trust Co**”) under The Kingshill Trust, a discretionary trust established by Mr. Sum (as the settlor). By virtue of the SFO, each of Mr. Sum, UBS Trustees (B.V.I.) Limited, Trust Co and The Kingshill Trust is deemed to be interested in the 850,684,000 Shares held by Kingshill.
- (5) Longjin is owned as to 75% by Mr. Lau.
- (6) On 6 September 2017, the Company entered into subscription agreements with two subscribers for convertible notes of an aggregate principal amount of HK\$500 million. Dragons 615 Limited was one of the subscribers and pursuant to which Dragons 615 Limited has agreed to subscribe for the convertible notes in a principal amount of HK\$280 million at an initial price of HK\$2.50 per share. HH InRe JP. Ltd. was another subscriber and pursuant to which HH InRe JP. Ltd. has agreed to subscribe for the convertible notes in a principal amount of HK\$220 million at an initial price of HK\$2.50 per share. The Company completed the issuance of the convertible notes on 3 October 2017. Further, Dragons 615 Limited was a wholly-owned limited liability company of DCP China Credit Fund I, L.P. whose general partner was Dignari Capital Partners GP Limited, and Ms. Tan Mei Zie Grace had the deemed interests in controlled corporation.
- (7) Mr. Lam Kwong Tong, Alan, an independent non-executive Director, is deemed to be interested in Shares held by his spouse.
- (8) Other public Shareholders include Shareholders and holders of Share Options who are not connected persons of the Company.
- (9) The aggregate of the percentage figures in the above table may not add up to 100% due to rounding of the percentage figures to two decimal places.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has conducted the following equity fund raising activities for the 12 months immediately before the date of this announcement:

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
6 September 2017	Issue of Convertible Notes	Approximately HK\$490,000,000	For (i) funding potential merger and acquisitions as well as forming strategic alliances in the Asia Pacific region; and (ii) supporting in-licensing and direct investment on technologically-oriented bio-pharmaceutical projects	(i) approximately HK\$241 million used for funding potential merger and acquisitions as well as forming strategic alliances in the Asia Pacific region; and (ii) approximately HK\$15 million used for supporting in-licensing and direct investment on technologically-oriented bio-pharmaceutical projects

The Subscription does not trigger any adjustment to the conversion price of the Convertible Notes.

Save as disclosed above, the Company has not conducted any other equity fund raising activities in the past twelve months before the date of this announcement.

During the past 12 months, the Company did not allot and issue any Shares pursuant to exercise of subscription rights of Share Options under Share Option Scheme. The Company has granted Share Options which entitled holder to subscribe for 1,000,000 Shares in the past 12 months. In case such outstanding Share Options are exercised in full, the gross proceeds to be received by the Company will be HK\$2,130,000. It is intended that the proceeds of the Shares issued under the Share Options will be used as the Group's working capital.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Directors consider that the Subscription offers a good opportunity to raise additional funds to strengthen the financial position and broaden the capital base of the Group so as to facilitate its future development. The Directors consider that terms of the Subscription Agreement are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

The gross proceeds of the Subscription will be approximately HK\$412,000,000. The net proceeds from the Subscription, after deducting all related fees and expenses, are estimated to be approximately HK\$411,600,000. The net price for each Subscription Share is HK\$2.058. The Board intends to apply approximately HK\$205,800,000 of the proceeds of the Subscription for funding potential merger and acquisitions, strategic alliances as well as for in-licensing pharmaceutical or medical products to enrich the Company's product portfolio; approximately HK\$164,640,000 for capital investment in relation to acquiring, expanding or upgrading our operating facilities; as well as approximately HK\$41,160,000 as general working capital of the Group.

INFORMATION ON THE COMPANY AND THE SUBSCRIBER

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

The subscriber is Yunnan Baiyao. Yunnan Baiyao was established in the PRC. Its registered shareholders are State-owned Assets Supervision and Administration Commission of the State Council of Yunnan Province, New Huadu Industrial Group Co., Ltd. (新華都實業集團股份有限公司) and Jiangsu YuWell Technology Development Co., Ltd. (江蘇魚躍科技發展有限公司). As of the date of this announcement, it is also the parent company holding 41.52% of Yunnan Baiyao Group Co., Ltd., a company with limited liability established in the PRC whose A shares are listed on Shenzhen Stock Exchange (stock code: 000538). The scope of business of the Subscriber is development and operation of botanical drug material base: production of drug, sales (limited to production and operation by the invested corporation with license) and research and development; investment in pharmaceutical industry; development and use of biological resources; domestic trade in the PRC and international trade.

LETTER OF INTENT

On 14 August 2018, the Company entered into a non-legally binding letter of intent ("LOI") with Yunnan Baiyao pursuant to which the parties agreed to conduct feasibility studies on possible business co-operation within three months from the date of the LOI. Further announcement will be made by the Company in accordance with the Listing Rules, if required.

DEFINITIONS

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

"AGM"	the annual general meeting of the Company held on 8 September 2017
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Days"	any day(s) (excluding Saturday(s), Sunday(s) and public holiday(s) in Hong Kong) on which licensed banks in Hong Kong are generally open for banking business throughout their normal business hours

“Company”	Jacobson Pharma Corporation Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange (stock code: 2633)
“Convertible Notes”	the convertible notes at the rate of 3.5% per annum in an aggregate principal amount of HK\$500 million due in 2020 issued by the Company to Dragons 615 Limited and HH InRe JP, Ltd pursuant to their respective subscription agreements with the Company dated 6 September 2018
“Directors”	the directors of the Company
“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution of the Company passed at the AGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Last Trading Day”	13 August 2018, being the trading date immediately prior to the date of the Subscription Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Option Shares”	Shares to be allotted and issued upon exercise of subscription rights attached to the Share Options
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Prospectus”	the Company’s prospectus dated 8 September 2016
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Share Options”	the options granted by the Company to the Directors and employees of the Group pursuant to the Share Option Scheme

“Share Option Scheme”	the employee share option scheme adopted by the Company on 30 August 2016
“Subscriber” or “Yunnan Baiyao”	Yunnan Baiyao Holdings Company Limited# (雲南白藥控股有限公司), a company established under the laws of the PRC with limited liability
“Subscription”	the subscription for the 200,000,000 Subscription Shares by Yunnan Baiyao pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 14 August 2018 entered into by Yunnan Baiyao and the Company in relation to the subscription of 200,000,000 Shares
“Subscription Price”	HK\$2.06 per Subscription Share
“Subscription Shares”	200,000,000 new Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“The Kingshill Trust”	a discretionary trust established by Mr. Sum (as settlor) on 16 May 2016 with Mr. Sum and his family members as the discretionary beneficiaries
“The Queenshill Trust”	a discretionary trust established by Mr. Sum (as settlor) on 16 May 2016 with Mr. Sum and his family members as the discretionary beneficiaries
“%”	per cent.

English name for identification purpose only

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

Hong Kong, 14 August 2018

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