
JACOBSON PHARMA DISTRIBUTION AND THE SPIN-OFF

JACOBSON PHARMA DISTRIBUTION

On January 15, 2021, the Jacobson Pharma Board declared the Jacobson Pharma Distribution to the Qualifying Jacobson Pharma Shareholders, being registered holders of Jacobson Pharma Shares whose names appear on the register of members of Jacobson Pharma as of the Record Date.

Information on the Jacobson Pharma Distribution

The Jacobson Pharma Distribution will be satisfied wholly by way of a distribution in specie to the Qualifying Jacobson Pharma Shareholders of an aggregate of 241,777,625 Shares, representing approximately 28.5% of the entire issued share capital of our Company, in proportion to their shareholdings in Jacobson Pharma as of the Record Date. Pursuant to the Jacobson Pharma Distribution, the Qualifying Jacobson Pharma Shareholders will be entitled to one Share for every eight Jacobson Pharma Shares held as of the Record Date. Fractional entitlements of Qualifying Jacobson Pharma Shareholders to our Shares under the Jacobson Pharma Distribution will be disregarded and will instead be aggregated and sold on the market and the aggregate proceeds of such sale (net of expenses and taxes) will be retained for the benefit of Jacobson Pharma.

Condition to the Jacobson Pharma Distribution

The Jacobson Pharma Distribution is subject to the Public Offer becoming unconditional. If this condition is not satisfied, the Jacobson Pharma Distribution will not be made and the Spin-off will not take place. Conditions of the Public Offer are set out in the section headed “Structure of the Public Offer — Conditions of the Public Offer.”

The Share certificates for our Shares are expected to be despatched to Qualifying Jacobson Pharma Shareholders on Thursday, February 4, 2021 and will only become valid if the Jacobson Pharma Distribution and the Public Offer become unconditional. One Share certificate will be issued to each Qualifying Jacobson Pharma Shareholder for the entitlement to the Shares, save for the Share certificates to be issued to HKSCC Nominees, which may be in such denominations as requested by HKSCC Nominees. Qualifying Jacobson Pharma Shareholders who hold Jacobson Pharma Shares through CCASS Clearing Participants or CCASS Custodian Participants will receive our Shares through their respective brokers or custodians who are CCASS Clearing Participants or CCASS Custodian Participants. If the Jacobson Pharma Distribution and the Public Offer do not become unconditional, dealings in our Shares on the Stock Exchange will not commence on Friday, February 5, 2021.

Non-Qualifying Jacobson Pharma Shareholders

The distribution of our Shares under the Jacobson Pharma Distribution to certain Jacobson Pharma Shareholders may be subject to laws of jurisdictions outside Hong Kong. The Jacobson Pharma Shareholders and Beneficial Jacobson Pharma Shareholders whose addresses registered in the register of members of Jacobson Pharma are in, or who are located or residing in jurisdictions other than Hong Kong should inform themselves about and observe all legal and regulatory requirements applicable to them. It is the responsibility of the Jacobson Pharma Shareholders and the Beneficial Jacobson Pharma Shareholders to satisfy themselves as to the full observance of the laws of the relevant jurisdictions applicable to them in connection with the Jacobson Pharma Distribution, including obtaining any governmental, exchange control or other consents which may be required, or compliance with any other necessary formalities and payment of any issue, transfer or other taxes due in such jurisdiction.

The Jacobson Pharma Overseas Shareholders and the Beneficial Jacobson Pharma Shareholders should consult their professional advisors if they are in any doubt as to the potential applicability of, or consequences under, any provision of law or regulation or judicial or regulatory decisions or interpretations in any jurisdiction, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the receipt, acquisition, retention, disposal or otherwise with respect to our Shares. It is emphasized that none of Jacobson Pharma, our Company, the Sole Sponsor, the Sole Bookrunner, the Underwriters, any of our or their respective directors, officers, employees, agents, representatives or advisers or any other person involved in the Spin-off accepts any responsibility in relation to the above.

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The Non-Qualifying Jacobson Pharma Shareholders are those Jacobson Pharma Shareholders with registered addresses in, or the Jacobson Pharma Shareholders or Beneficial Jacobson Pharma Shareholders who are otherwise known by Jacobson Pharma to be residents of or located in, jurisdictions outside Hong Kong as of the Record Date and whom the Jacobson Pharma Board and the Board, based on enquiries made on their behalves and the legal advice provided by their legal advisors, consider it necessary or expedient to exclude them from receiving Shares pursuant to the Jacobson Pharma Distribution on account of the legal restrictions under the applicable laws of the relevant jurisdictions where the Jacobson Pharma Shareholders or Beneficial Jacobson Pharma Shareholders are resident or located in and/or the requirements of the relevant regulatory bodies or stock exchanges in those jurisdictions. The relevant Non-Qualifying Jacobson Pharma Shareholders will not receive any Shares.

Our Shares which the Non-Qualifying Jacobson Pharma Shareholders would otherwise receive pursuant to the Jacobson Pharma Distribution will be sold on their behalf on the market following the commencement of dealings in our Shares on the Stock Exchange. The aggregate proceeds of such sale (net of expenses and taxes) will be paid to the relevant Non-Qualifying Jacobson Pharma Shareholders (in proportion to their shareholdings in Jacobson Pharma as of the Record Date) in Hong Kong dollars in full satisfaction of the relevant Shares which they would otherwise receive pursuant to the Jacobson Pharma Distribution, provided that if the amount that a Non-Qualifying Jacobson Pharma Shareholder would be entitled to receive is less than HK\$100, such sum will be retained for the benefit of Jacobson Pharma. Such payment of net proceeds to the Non-Qualifying Jacobson Pharma Shareholders is expected to be made on or around Monday, March 8, 2021.

As of the Latest Practicable Date, based on the information provided by Jacobson Pharma, there were two Jacobson Pharma Shareholders whose addresses as registered in the register of members of Jacobson Pharma were outside Hong Kong, namely in the BVI and the PRC.

Based on the legal advice received and, where relevant, taking into account the number of Jacobson Pharma Overseas Shareholders in the relevant jurisdictions as of the Latest Practicable Date and/or the number of Jacobson Pharma Shares they then held and assuming that the relevant legal requirements remain unchanged, it is expected that there are no Excluded Jurisdictions.

If there is any other jurisdiction outside Hong Kong which is not referred to above in which the address of any Jacobson Pharma Shareholder as shown in the register of members of Jacobson Pharma as of the Record Date is located or any Jacobson Pharma Shareholder or Beneficial Jacobson Pharma Shareholder as of the Record Date is otherwise known by Jacobson Pharma to be located or resident, and such Jacobson Pharma Shareholders should, in the view of the Jacobson Pharma Board and our Board having made the relevant enquiries and having considered the circumstances, be excluded from receiving our Shares pursuant to the Jacobson Pharma Distribution on the basis of the legal restrictions under the applicable laws of such jurisdiction or the requirements of the relevant regulatory bodies or stock exchanges in such jurisdiction, our Company will make an announcement.

None of Jacobson Pharma, our Company, the Sole Sponsor, the Sole Bookrunner and the Underwriters take any responsibility for the sale of such Shares or the payment of the net proceeds of the sale of such Shares to any such underlying Beneficial Jacobson Pharma Shareholder.

Each of Jacobson Pharma and our Company reserves the right, in its and our absolute discretion, to allow the participation of any Jacobson Pharma Shareholder or Beneficial Jacobson Pharma Shareholder in the Jacobson Pharma Distribution.

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INFORMATION FOR THE JACOBSON PHARMA OVERSEAS SHAREHOLDERS

PRC Jacobson Pharma Overseas Shareholders

This prospectus is not registered with or filed with the CSRC. This prospectus shall not be construed as an advertisement or a public offering of Shares in the PRC. Neither this prospectus nor the allotted Shares will be delivered to any persons in the PRC except for the PRC Jacobson Pharma Overseas Shareholders whose registered addresses, as shown on the register of members of Jacobson Pharma, are in the PRC as of the Record Date. The delivery of this prospectus to such PRC Jacobson Pharma Overseas Shareholders is not and will not be conducted, and shall not be construed to be conducted through advertisement, public inducement or other disguised public manner.

It is the responsibility of each of the PRC Jacobson Pharma Overseas Shareholders who receives our Shares pursuant to the Jacobson Pharma Distribution to satisfy himself/herself/itself as to full compliance with the PRC laws to hold the Jacobson Pharma Shares currently held by him/her/it under PRC laws and as to full compliance with the PRC laws to be allotted Shares pursuant to the Spin-off.

Jacobson Pharma Overseas Shareholders in the BVI

No shares in our Company may be offered to any person in the BVI for purchase or subscription except under circumstances that will result in compliance with the rules concerning offering of such securities in the BVI and with the laws of the BVI. Accordingly, the Jacobson Pharma Distribution does not constitute and shall not be construed as an offer to the public in the BVI to purchase or subscribe for shares in our Company. The Shares shall not be received for the account or benefit of any person who is a resident of, or who is domiciled in, the BVI, other than a BVI Business Company (as defined under the BVI Business Companies Act (as amended)) incorporated in the BVI that is not resident in the BVI, nor to a custodian, nominee or trustee of any such person.

All Jacobson Pharma Overseas Shareholders

Neither the Shares nor this prospectus has been or will be registered under the securities laws of any jurisdiction. Accordingly, unless otherwise disclosed above, the Shares may not be offered, sold, pledged, taken up, resold, renounced, transferred or delivered, directly or indirectly, into or within any such jurisdiction, absent registration or qualification under the respective securities laws of such jurisdictions, or exemption from the registration or qualification requirements under applicable rules of such jurisdictions.

It is the responsibility of any person (including but not limited to any agent, custodian, nominee or trustee) outside Hong Kong wishing to receive or purchase, hold or dispose of, or deal in, the Shares or exercise any rights attaching to the Shares to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction, including obtaining any governmental or other consents and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith.

Jacobson Pharma Shareholders should note that they will not be required to pay or provide any consideration to Jacobson Pharma or us for any Shares received pursuant to the Jacobson Pharma Distribution. Receipt of our Shares by any person pursuant to the Jacobson Pharma Distribution will be deemed to constitute a representation and warranty from such person to our Company that these local laws and requirements have been fully complied with. For the avoidance of doubt, neither HKSCC or HKSCC Nominees will give, or be subject to, any of the representation and warranty. Such persons should consult their professional advisors if in doubt.

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THE SPIN-OFF

On January 20, 2020, Jacobson Pharma announced that it proposes to spin-off and seek a separate listing of its branded healthcare business on the Main Board of the Stock Exchange. Immediately after completion of the Spin-off, the percentage shareholding of Jacobson Pharma in our Company will be diluted from approximately 85.0% as at the Latest Practicable Date to approximately 53.7% as a result of the Jacobson Pharma Distribution and the Public Offer. The reduction of Jacobson Pharma's shareholding interest in our Company following completion of the Spin-off does not constitute a notifiable transaction of Jacobson Pharma under the Listing Rules. Following completion of the Spin-off, the Remaining Parent Group will continue to operate the business of manufacturing, marketing and sale of generic drugs. For details of the retained business of the Remaining Parent Group, see the section headed "Relationship with Jacobson Pharma."

Reasons for and Benefits of the Spin-off

Jacobson Pharma and we consider that the Spin-off is in the interests of the Jacobson Pharma Group and the Jacobson Pharma Shareholders taken as a whole and the Spin-off will better position each of the Remaining Parent Group and our Group for further growth in their respective businesses and deliver clear benefits to both for the following reasons:

- (i) *Liquidity and distinct investment venue:* Our Group's branded healthcare business and the Remaining Parent Group's generic drug business are distinct from each other in their respective market segmentation and growth path, and are generally assessed under different market sub-segments which enjoy different market valuations. The Spin-off provides the Remaining Parent Group and our Group each with a separate listing platform, not only allowing the investment market to separately value our Group and the Remaining Parent Group with their respective industry and growth benchmarks, but also providing investors with the flexibility of investing in either one or both of them, and our Shareholders with liquidity for our Shares on an open trading market to freely invest in and an avenue to realize their investment with a stand-alone market valuation.
- (ii) *Independent valuation and unlocking value of our Group:* Prior to the Spin-off, our Group is embedded within the Jacobson Pharma Group without an independent market valuation for our Shares and could only share, on a theoretical basis, a portion of the market valuation of Jacobson Pharma attributed to us. More specifically, Jacobson Pharma had been trading at a market valuation between HK\$2.1 billion to HK\$3.7 billion since January 1, 2020 up to the Latest Practicable Date, attributing to us an implicit share of market valuation in the range of HK\$401.1 million to HK\$704.4 million based on our Group's share of profit contribution to the Jacobson Pharma Group for the year ended March 31, 2020. Our expected market capitalization upon completion of the Spin-off (i.e., our Listing), on the other hand, is HK\$1,072.4 million which is well above the inferred range of market capitalization attributed to us. The Spin-off therefore facilitates an immediate positive value unlock for Jacobson Pharma and its shareholders.
- (iii) *Entitlement to our Shares through a distribution in specie:* The Spin-off includes the Jacobson Pharma Distribution, pursuant to which the Qualifying Jacobson Pharma Shareholders will be entitled to one Share for every eight Jacobson Pharma Shares held as of the Record Date. The Spin-off will therefore result in an immediate, additional, liquid and realizable investment value being awarded to the Qualifying Shareholders.

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- (iv) *Enhanced strategic and management focus:* The nature of products offered under the Remaining Parent Group’s generic drug business and our Group’s branded healthcare business is different and as such the two businesses require different business plans and strategic and management focus. The Spin-off will enable our Group to focus on sustaining our competence and competitiveness in brand and marketing management, as well as creating values through product portfolio management, while the Remaining Parent Group will focus on strengthening its technical competence and in-licensing capabilities in pursuing first-to-file or first-to-market generic drugs. The Spin-off will allow the management of our Group and the Remaining Parent Group to better dedicate resources towards their distinct operating priorities and strategies, and focus on the unique opportunities and business collaborations in their respective markets for long-term growth and profitability of both businesses.
- (v) *Creation of a more nimble company focusing on branded healthcare products:* Market demands and consumer preferences for branded healthcare products evolve rapidly. The Spin-off will allow our Group to become more focused and nimble with the ability to quickly focus on consumer-preferred branded healthcare products to meet the emerging needs of the market.
- (vi) *Direct access to capital markets:* The Spin-off will result in an increased financial reporting transparency of our business and provide our Group with its own listing platform, hence a direct and independent access to the capital markets for debt and equity fund raising to support its business growth, identify strategic partners and also enhance its ability to capitalize on unique growth opportunities and to pursue potential merger and acquisitions with its own resources.
- (vii) *Risk management:* In general, generic drugs and branded healthcare products have different risk management profiles and require different management skillsets and risk management systems. Challenges to the generic drug business are more related to regulatory compliance, quality control and pharmacovigilance monitoring, whereas for the branded healthcare business the potential challenges would be more related to issues on trade mark infringement, counterfeit products and effective brand management. The Spin-off will allow the separate management of the two companies to implement proper risk management tools and internal control procedures to safeguard their respective businesses and assets.
- (viii) *Geographical segregation:* Over the years, it has been the Jacobson Pharma Group’s strategy to enhance its portfolio of branded healthcare products by expanding its geographical reach, as well as accelerating its growth momentum in China and certain key markets in Asia. There is a solid demand from habitual end-users, especially from China and other Asian countries, for our branded healthcare products, owing to their proprietary or branded nature and associated customer loyalty. The Spin-off will enable our Group to devote more focus, effort and resources in capturing the demand from these habitual and brand-loyal customers, in particular with well-strategized brand promotions through both online and offline advertising and marketing campaigns. Synergies in terms of sharing of marketing campaigns, research findings and regulatory resources are also expected to be realized among various products and markets, while the branded healthcare business seeks to expand in its size, market share and geographical coverage.

ARRANGEMENTS RELATING TO THE SALE OF ODD LOTS OF OUR SHARES

Shareholders who wish to sell their odd lots of Shares received under the Jacobson Pharma Distribution should contact their own broker.

In addition, Jacobson Pharma has appointed China Galaxy International Securities (Hong Kong) Co., Limited (the “**Matching Service Agent**”) to provide, on a best efforts basis, a service to match the sale and purchase of odd lots of Shares (the “**Matching Service**”) during the period of 60 days commencing from (and including) the Listing Date (the “**Matching Period**”).

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The provision of the Matching Service to any holder of Shares received under the Jacobson Pharma Distribution is subject to satisfactory completion of the Matching Service Agent's requisite account opening procedures if such Shareholder does not have an existing equities trading account with the Matching Service Agent. Any Shareholder wishing to make use of the Matching Service during the Matching Period may contact Mr. Choy Ho Yin of China Galaxy International Securities (Hong Kong) Co., Limited at 20/F, Wing On Centre, 111 Connaught Road Central, Sheung Wan, Hong Kong or at telephone number (852) 3698 6820 during such period.

Holders of Shares received under the Jacobson Pharma Distribution should note that the successful matching of odd lots of Shares referred to above is not guaranteed and that in the event of successful matching, the relevant Shareholder will be charged the Matching Service Agent's standard brokerage fees. Shareholders are advised to consult their own professional advisors if they are in doubt about any of these arrangements.