

JACOBSON PHARMA CORPORATION LTD
A SUCCESS STORY, TO BE SURE, BUT ...

There Is No Indication Of Any
Dividend Payment In The Future

The largest generic drug company, its operations, in the main, concentrated in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), has come to the premier equity market of The Stock Exchange of Hongkong Ltd, hoping to garner a little more than \$HK600 million in a Global Offering of its Shares.

Generic Drug Definition

A generic drug is a drug that contains the same active ingredients as its original formulation and is comparable in dosage form, strength, quality, performance and intended use.

The company is Jacobson Pharma Corporation Ltd () (Code: 2633, Main Board, The Stock Exchange of Hongkong Ltd).

This drug company pitched its Global Offering of 437.50 million, one-cent Shares at the Indicative Offer Price Per Share, ranging between a low of \$HK1.28 and a high of \$HK1.72.

HKSAR Investors are being Offered 43,752,000 Shares and International Investors are being Offered 393,748,000 Shares.

At the midpoint of the Indicative Offer Price Per Share, being \$HK1.50, Management estimates that it will net about \$HK600.60 million, at the end of the day.

At Pages 237 and 238 of the Global Offering Prospectus, Management outlines how it intends to make use of this not-inconsiderable sum of money:

1. Approximately, 45 percent of the net proceeds, that is about \$HK270.30 million, *'for acquisitions, including:*
 - a. *'... for potential future business or share acquisitions, joint ventures or other strategic arrangements to expand and enhance our product portfolio and to deepen our market penetration in Hong Kong, Macau, China, other strategically selected markets in the Asia Pacific region and globally and improve our pharmaceutical platform;*
 - b. *'... (i) carrying out generic drug businesses which are complementary to our existing generic drug product portfolio in our key therapeutic categories, including cardiovascular, central nervous system, gastrointestinal, oral anti-diabetics and*

respiratory, (ii) with renowned proprietary brands of Chinese medicines or Western medicines or (iii) with technology or knowhow that could enhance our product formulation or production process; or combination of (i), (ii) or (iii); and

- c. *‘... for targets with local distribution network in Macau, China and other strategically selected Asia Pacific markets to facilitate our further market penetration in these markets;*

‘... for intangible asset acquisitions, including (i) registration dossiers, drug master files, product licenses, specialized formulation technologies or dosage form technologies related to Chinese medicines or patented drugs which will be coming off patent in the next five years to expedite the development process or (ii) brands with heritage which we can leverage to expand into strategically selected markets in the Asia Pacific region’;

2. *Approximately, 18 percent of the net proceeds, that is about \$HK108.10 million, ‘for capital investments in relation to acquiring, expanding, streamlining or upgrading our manufacturing plants, premises, facilities or capabilities, with the aim to (i) enhance our production efficiency or reduce our operating costs, for example, through automation of certain packaging lines, or (ii) expand our product portfolio of dosage forms. In particular, we have two new automated production facilities which are equipped with advanced equipment and machinery catering for larger output batch size to achieve high-volume production and specialized sterile formulation production of generic drugs mainly for solid and liquid dosage forms’;*
3. *Approximately, 15 percent of the Net Proceeds, that is about \$HK90.10 million, ‘for pursuing bioequivalence clinical studies for specialized generic drugs and further elevating our product development and research capabilities, whether in-house or through collaboration with external parties, including HK\$10.0 million for establishing a new advanced joint research and development center with HKIB (Hongkong Institute of Biotechnology Ltd [I])’.*
4. *Approximately, 12 percent of the net proceeds, that is about \$HK72.10 million, ‘for bolstering our sales, marketing and advertising efforts for the next five years’; and,*
5. *Approximately, 10 percent of the net proceeds, that is about \$HK60.10 million, ‘for working capital and other general corporate purposes’.*

The History and Business of Jacobson Pharma Corporation Ltd

Jacobson Pharma Corporation Ltd was founded in 1998 by Messrs Derek Sum Kwong Yip () and Lau Wing Hung ().

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