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PuraPharm

PURAPHARM CORPORATION LIMITED

培力控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1498)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF K'AN HERB COMPANY, INC.**

THE STOCK PURCHASE AGREEMENT

The Board is pleased to announce that on 3 March 2017, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Stock Purchase Agreement with the Sellers, pursuant to which the Purchaser has agreed to acquire, and the Sellers have agreed to sell, all the issued and outstanding share capital in the Target Company. Upon completion of the Acquisition, the Purchaser will hold all the issued and outstanding share capital in the Target Company, and the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the consolidated financial statements of the Group.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition are 5% or more but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements but is exempted from shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

None of the Directors are considered to be interested in the transactions contemplated under the Stock Purchase Agreement. Therefore, none of the Directors is required to abstain from voting at the Board meeting approving the entry into of the Stock Purchase Agreement.

THE STOCK PURCHASE AGREEMENT

Date : 3 March 2017

The Parties : (i) PuraPharm Health Limited as the Purchaser; and
(ii) Lynn Beinfield Revocable Trust, Voyager LLC, Lise Groleau, Stacie White, Pamela Helms, Tekhurb, Inc., Ted Kaptchuk, Efrem Korngold, Harriet Beinfield, Andrew Miller, Florrie H. Miller Trust, Martine Gullung-Miller Trust, Richard Rammer, Stanley M. Rosow Trust, E. Justin Wilson Jr. Trust and Roberta K. Wingfield Trust as the Sellers.

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, each of the Sellers and its ultimate beneficial owner(s) are Independent Third Parties.

Assets to be acquired

Pursuant to the Stock Purchase Agreement, the Purchaser agreed to acquire, and the Sellers agreed to sell, all the issued and outstanding share capital in the Target Company. Upon completion of the Acquisition, the Purchaser will hold all the issued and outstanding share capital in the Target Company, and the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the consolidated financial statements of the Group.

The following table sets forth the shareholding of the Target Company as at the date of this announcement:

Shareholder	Number of shares	%
Efrem Korngold and Harriet Beinfield	266,770	19.78%
E. Justin Wilson Jr. Trust	145,495	10.79%
Andrew Miller	123,295	9.14%
Lise Groleau	114,103	8.46%
Ted Kaptchuk	107,738	7.99%
Stanley M. Rosow Trust	92,273	6.84%
Richard Rammer	90,000	6.67%
Tekhurb, Inc.	78,020	5.79%
Martine Gullung-Miller Trust	74,796	5.56%
Pamela Helms	53,050	3.93%
Lynn Beinfield Revocable Trust	43,076	3.19%
Voyager LLC	43,076	3.19%
Roberta K. Wingfield Trust	43,076	3.19%
Stacie White	41,419	3.07%
Florrie H. Miller Trust	32,548	2.41%
	<u>1,348,735</u>	<u>100.00%</u>

Consideration

The total consideration payable by the Purchaser for the Acquisition is US\$5,400,000 (equivalent to approximately HK\$41,850,000), which will be paid at Closing in the following manner:

- (1) US\$4,320,000 (equivalent to approximately HK\$33,480,000) shall be paid by wire transfer of immediately available funds to an account designated by the Sellers' representative; and
- (2) US\$1,080,000 (equivalent to approximately HK\$8,370,000) shall be deposited by wire transfer of immediately available funds into an indemnity escrow account designated by an escrow agent jointly appointed by the Purchaser and the Sellers. Should there be (i) any breach of the representations or warranties in the Stock Purchase Agreement on the part of the Sellers or in any certificates or instruments issued by the Sellers; (ii) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by the Sellers; (iii) any environmental claim arising at or prior to the Closing; and (iv) any claims arising from any allegations, complaints, or other notices made, filed or delivered by an employee prior to the Closing Date within 18 months from the Closing Date, the Purchaser is entitled to recover its losses from this escrow amount.

The consideration for the Acquisition will be satisfied by the Purchaser in cash and shall be funded by internal resources of the Group.

Basis for determination of the consideration

The consideration was determined by the parties after arm's length negotiations with reference to the financial conditions and prospect of the Target Company and U.S. market. Based on the foregoing, the Directors are of the view that the consideration for the Acquisition is fair and reasonable.

Conditions precedent of the Acquisition

Completion is conditional upon the following conditions being fulfilled:

- (a) no governmental authority shall have enacted, issued, promulgated, enforced or entered any governmental order which is in effect and has the effect of making the transactions contemplated by the Stock Purchase Agreement illegal, otherwise restraining or prohibiting consummation of such transactions or causing any of the transactions contemplated hereunder to be rescinded following completion thereof;
- (b) the representations and warranties contained in the Stock Purchase Agreement, and any certificate or other writing delivered pursuant to the Stock Purchase Agreement, shall be true and correct in all respects or in all material respects;
- (c) parties shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by the Stock Purchase Agreement to be performed or complied with by it prior to or on the Closing Date;

- (d) no action shall have been commenced against any Seller or the Target Company, which would reasonably be expected to prevent the Closing. No injunction or restraining order shall have been issued by any governmental authority, and be in effect, which restrains or prohibits any transaction contemplated under the Stock Purchase Agreement;
- (e) all relevant approvals, consents and waivers that are listed in the disclosure schedules shall have been received, and executed counterparts thereof shall have been delivered to Purchaser at or prior to the Closing. Sellers shall have received all consents, authorisations, orders and approvals from the relevant governmental authorities referred to in the disclosure schedules, in each case, in form and substance reasonably satisfactory to Purchaser, and no such consent, authorisation, order and approval shall have been revoked;
- (f) from the date of the Stock Purchase Agreement, there shall not have occurred any material adverse effect on the Target Company, nor shall any event or events have occurred that could reasonably be expected to result in such material adverse effect;
- (g) the Purchaser having received the true and complete copies of the deliverables contemplated by the Stock Purchase Agreement;
- (h) the Purchaser having received true and complete wiring instructions from the Sellers' representative;
- (i) the Purchaser having received a certificate, dated the Closing Date and signed by each Seller, confirming that each of the relevant conditions set forth in the Stock Purchase Agreement have been satisfied; and
- (j) the Sellers' representative having received a certificate, dated the Closing Date and signed by a duly authorized officer of Purchaser, confirming that each of the relevant conditions set forth in the Stock Purchase Agreement have been satisfied.

The above conditions precedent may be waived (save for condition (a) which cannot be waived).

Closing

Subject to the terms and conditions of the Stock Purchase Agreement abovementioned, the Closing shall take place on the date that is the second Business Day following the satisfaction (or to the extent permitted, the waiver) of the conditions set forth in the Stock Purchase Agreement, or at such other time or on such other date or at such other place as the Sellers and Purchaser may mutually agree upon in writing.

INFORMATION ON THE TARGET COMPANY

The Target Company was incorporated in Santa Cruz, California, U.S. and is principally engaged in manufacturing of Chinese herbal formulas in U.S. and sales to distributors and healthcare practitioners in U.S. and Europe.

Set out below is certain unaudited financial information of the Target Company:

	Year ended 30 June 2015 US\$'000	Year ended 30 June 2016 US\$'000
Revenue	4,858	5,016
Profit after taxation	385	521
	As at 30 June 2015 US\$'000	As at 30 June 2016 US\$'000
Net Assets	3,388	3,593

Upon completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the consolidated financial statements of the Group.

REASONS FOR AND BENEFIT OF THE ACQUISITION

The Group is principally engaged in the research and development, production and sale of concentrated Chinese medicine granule products and Chinese healthcare products, as well as rendering Chinese medical diagnostic services. Since its establishment, its core values have always been to modernise and internationalise traditional Chinese medicine and to bring good health to the public. Selectively making strategic acquisition of healthcare products company in the U.S. to expand the operation in the U.S. is one of the business strategies of the Group, which is consistent with its core value and an important growth driver of the Group.

The Group believes it is more cost and time efficient to develop its business in the U.S. through the Acquisition. The Target Company is well established in the U.S. with stable financial conditions and customer base consisted of a network of registered healthcare practitioners and their patients. The Acquisition presents an excellent opportunity for the Group to leverage on the expertise, resources, and sale network of the Target Company to develop its business in the U.S. market immediately.

The Group also believes the Acquisition can create synergies with its existing products and expand the products portfolio of the Group's Chinese medicine products to increase the competitiveness of the Group in the market.

Based on the foregoing, the Board is of the view that the terms of the Stock Purchase Agreement are on normal commercial terms, fair and reasonable, and in the best interest of the Company and its Shareholders as a whole.

INFORMATION ON THE PARTIES

The Group is principally engaged in the research and development, production and sale of concentrated Chinese medicine granule products and Chinese healthcare products, as well as rendering Chinese medical diagnostic services.

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

Each of Efrem Korngold and Harriet Beinfield, Andrew Miller, Lise Groleau, Ted Kaptchuk, Richard Rammer, Pamela Helms and Stacie White is an individual. Each of E. Justin Wilson Jr. Trust, Stanley M. Rosow Trust, Martine Gullung-Miller Trust, Roberta K. Wingfield Trust, Lynn Beinfield Revocable Trust and Florrie H. Miller Trust is a living trust. Each of Tekhurb, Inc. and Voyager LLC is an investment holding company.

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GENERAL

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DEFINITIONS

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

“Acquisition”	the acquisition of all the issued and outstanding issued share capital in the Target Company by the Purchaser pursuant to the terms of the Stock Purchase Agreement
“Business Day”	any day except Saturday, Sunday or any other day on which commercial banks located in San Francisco, California are authorized or required by law to be closed for business
“Closing”	the purchase and sale of all (and not only part of) the issued and outstanding issued share capital of the Target Company
“Closing Date”	the date on which Closing takes place
“Company”	PuraPharm Corporation Limited, a company incorporated in the Cayman Islands with limited liability whose issued shares are listed on the main board of the Stock Exchange
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Parties”	third parties independent of and not connected with the Company or any of its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	PuraPharm Health Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Sellers”	Lynn Beinfield Revocable Trust, Voyager LLC, Lise Groleau, Stacie White, Pamela Helms, Tekhurb, Inc., Ted Kaptchuk, Efrem Korngold, Harriet Beinfield, Andrew Miller, Florrie H. Miller Trust, Martine Gullung-Miller Trust, Richard Rammer, Stanley M. Rosow Trust, E. Justin Wilson Jr. Trust and Roberta K. Wingfield Trust
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Stock Purchase Agreement”	the Stock Purchase Agreement dated 3 March 2017 entered into by and between the Purchaser and the Sellers in relation to the Acquisition
“Target Company”	K’an Herb Company, Inc., a company incorporated in California, the United States of America
“United States” or “U.S.”	The United States of America
“US\$”	United States dollar, the law currency of the United States of America
“%”	per cent.

For illustration purposes, amounts in US\$ in this announcement have been translated into HK\$ at HK\$7.75 = US\$1.00.

By order of the Board
PuraPharm Corporation Limited
Chan Yu Ling, Abraham
Chairman

Hong Kong, 3 March 2017

As at the date of this announcement, the executive directors of the Company are Mr. Chan Yu Ling, Abraham, Dr. Tsoi Kam Biu, Alvin, Mr. Chan Lung Sang and Ms. Man Yee Wai, Viola; the non-executive director of the Company is Mr. Chan Kin Man, Eddie; and the independent non-executive directors of the Company are Dr. Chan Kin Keung, Eugene, Mr. Ho Kwok Wah, George, Dr. Leung Lim Kin, Simon and Prof. Tsui Lap Chee.