

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **Purapharm Corporation Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)**

**PROPOSED CONNECTED TRANSACTION;  
PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE FOR  
CAPITALISATION OF THE SHAREHOLDER'S LOAN  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**

**ALTUS CAPITAL LIMITED**

A notice convening the extraordinary general meeting (the "EGM") of Purapharm Corporation Limited (the "**Company**") to be held at Boardroom 6, M/F, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 8 August 2019 at 2:30 p.m. is set out on pages 37 to 39 of this circular. A Form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<https://www.purapharm.com>).

A form of proxy for use by the shareholders of the Company at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to read this circular and complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM (i.e. not later than 2:30 p.m. on Tuesday, 6 August 2019) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

24 July 2019

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## DEFINITIONS

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

“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturdays and Sundays) on which commercial banks in Hong Kong are generally open for business in Hong Kong
“Capitalisation Shares”	15,544,041 new Shares to be allotted and issued by the Company to Mr. Chan
“Company”	Purapharm Corporation Limited, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are traded on the main board of the Stock Exchange (stock code: 1498)
“Completion”	completion of the Loan Capitalisation in accordance with the terms and conditions of the Loan Capitalisation Agreement
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“connected transaction”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules
“Director”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened on Thursday, 8 August 2019 at 2:30 p.m. at Boardroom 6, M/F, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong to consider, if thought fit, to approve the Loan Capitalisation Agreement, the grant of Specific Mandate for the issue of the Capitalisation Shares and the transaction contemplated thereunder, the notice of which is enclosed with this circular
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“HIBOR”	Hong Kong Interbank Offer Rate

## DEFINITIONS

“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, namely, Dr. Chan Kin Keung, Eugene, Mr. Ho Kwok Wah, George, Dr. Leung Lim Kin, Simon and Professor Tsui Lap Chee, which has been established to make recommendations to the Independent Shareholders in respect of the Loan Capitalisation Agreement, the grant of Specific Mandate and the transactions contemplated thereunder
“Independent Financial Adviser”	Altus Capital Limited, a licensed corporation to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Loan Capitalisation Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) who are not required to abstain under the Listing Rules from voting at the EGM for the resolution(s) approving the Loan Capitalisation Agreement, grant of Specific Mandate and the transactions contemplated thereunder
“Issue Price”	HK\$1.93 per Capitalisation Share
“Latest Practicable Date”	19 July 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Capitalisation”	capitalisation of HK\$30,000,000 from the outstanding principal amount of the Shareholder’s Loan by way of the allotment and issue of the Capitalisation Shares to Mr. Chan pursuant to the terms of the Loan Capitalisation Agreement
“Loan Capitalisation Agreement”	the loan capitalisation agreement dated 12 June 2019 entered into between Mr. Chan and the Company for the Loan Capitalisation

## DEFINITIONS

“Mr. Chan”	Mr. Chan Yu Ling, Abraham, the chairman of the Board, chief executive officer, the executive Director and a controlling Shareholder of the Company, and the spouse of Ms. Man
“Ms. Man”	Ms. Man Yee Wai, Viola, the executive Director of the Company, and the spouse of Mr. Chan
“Share(s)”	ordinary Share(s) of US\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Shareholder’s Loan”	an interest bearing loan up to HK\$50,000,000 made available to the Company by Mr. Chan by a loan agreement dated 14 March 2018. As at the Latest Practicable Date, the total outstanding principal amount is HK\$45,000,000
“Shareholder’s Loan Agreement”	the shareholder’s loan agreement dated 14 March 2018, entered into between Mr. Chan and the Company pursuant to which Mr. Chan as lender agreed to made available a loan up to HK\$50,000,000 to the Company as borrower at the interest rate of 1-month HIBOR+2.5% per annum
“Share Award Scheme”	the share award scheme adopted by the Company on 22 February 2016
“Share Option Scheme”	the share option scheme adopted by the Company on 12 June 2015
“SFO”	The Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended from time to time
“Specific Mandate”	the specific mandate proposed to be granted to the Board to issue the Capitalisation Shares at the Issue Price of HK\$1.93 per Capitalisation Share to Mr. Chan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States Dollar, the lawful currency of the United States of America
“%”	per cent



PuraPharm

**PURAPHARM CORPORATION LIMITED**

**培力控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1498)**

*Executive Directors:*

Mr. Chan Yu Ling, Abraham  
Dr. Tsoi Kam Biu, Alvin  
Mr. Chan Kin Man, Eddie  
Ms. Man Yee Wai, Viola

*Non-executive Director:*

Mr. Chow, Stanley

*Independent Non-executive Directors:*

Dr. Chan Kin Keung, Eugene  
Mr. Ho Kwok Wah, George  
Dr. Leung Lim Kin, Simon  
Professor Tsui Lap Chee

*Registered Office:*

Offshore Incorporations  
(Cayman) Limited  
P.O. Box 31119  
Grand Pavilion  
Hibiscus Way  
802 West Bay Road  
Grand Cayman KY1-1205  
Cayman Islands

*Headquarter and principal place of  
business in Hong Kong:*

Suite 4002, Jardine House  
1 Connaught Place, Central  
Hong Kong

24 July 2019

*To the Shareholders*

Dear Sir/Madam,

**PROPOSED CONNECTED TRANSACTION;  
PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE FOR  
CAPITALISATION OF THE SHAREHOLDER'S LOAN  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**1. INTRODUCTION**

Reference is made to the announcement of the Company dated 12 June 2019.

On 12 June 2019, the Loan Capitalisation Agreement was entered into between the Company and Mr. Chan, pursuant to which the Company as issuer conditionally agreed to allot and issue and Mr. Chan as the subscriber conditionally agreed to subscribe for 15,544,041 new

## LETTER FROM THE BOARD

Capitalisation Shares at the Issue Price of HK\$1.93 per Capitalisation Share for capitalising HK\$30,000,000 from the outstanding principal amount of the Shareholder's Loan of HK\$45,000,000.

The purpose of this circular is to provide you with, among other things:

- (i) the details of the Loan Capitalisation Agreement, the grant of Specific Mandate and the transactions contemplated thereunder;
- (ii) the letter from the Independent Board Committee with its view on the Loan Capitalisation Agreement, the grant of the Specific Mandate and the transactions contemplated thereunder;
- (iii) the letter from the Independent Financial Adviser with its advice on the terms of the Loan Capitalisation Agreement and the transactions contemplated thereunder to the Independent Board Committee and the Independent Shareholders; and
- (iv) a notice of the EGM,

in order to enable you to make an informed decision on whether to vote for or against the resolutions to be proposed at the EGM for the Independent Shareholders to approve the Loan Capitalisation Agreement, the grant of the Specific Mandate and the transactions contemplated thereunder.

### BACKGROUND OF THE LOAN CAPITALISATION

On 14 March 2018, Mr. Chan as lender and the Company as the borrower entered into the Shareholder's Loan Agreement, pursuant to which Mr. Chan agreed to make available a loan up to HK\$50,000,000 to the Company at the interest rate of 1-month HIBOR plus 2.5% per annum. The other major terms of the Shareholders' Loan Agreement are as follows:

#### **Purpose**

The purpose of the Shareholder's Loan is for financing the general corporate funding requirement of the Company or the Group.

#### **Interest**

1-month HIBOR plus 2.5% per annum, interest is to be calculated on daily basis by simple interest.

#### **Term**

There is no definite term of the Shareholder's Loan and the Shareholder's Loan is repayable on demand. The Company may repay any part of the Shareholder's Loan at any time.

## LETTER FROM THE BOARD

### **Drawdown**

Multiple drawdowns are permitted.

### **Collateral and security**

The Shareholder's Loan is unsecured by any collateral.

### **Actual use of the Shareholder's Loan**

As at the Latest Practicable Date, the outstanding principal of the Shareholder's Loan was HK\$45,000,000, by which two drawdowns of HK\$30,000,000 and HK\$15,000,000 were made in March 2018 and March 2019, respectively. According to the records of the Company, the first drawdown of HK\$30,000,000 was principally used for the following purposes:

- (i) approximately HK\$7,000,000 for expansion of the Group's clinic segment;
- (ii) approximately HK\$15,000,000 for repayment of the interest-bearing bank loans falling due; and
- (iii) approximately HK\$8,000,000 for general working capital of the Group for its operation.

According to the records of the Company, the second drawdown of HK\$15,000,000 was principally used for the following purposes:

- (i) approximately HK\$5,000,000 for expansion of the Group's clinic segment;
- (ii) approximately HK\$8,000,000 for repayment of the interest-bearing bank loans falling due; and
- (iii) approximately HK\$2,000,000 for general working capital of the Group for its operation.

The interest rate and the major terms of the Shareholder's Loan were determined according to the interest rates and terms offered by banks to the Group at that time. As the terms of the Shareholders' Loan are on normal commercial terms or better and it was not secured by the assets of the Group, the Shareholder's Loan Agreement was a fully-exempted connected transaction under rule 14A.90 of the Listing Rules and hence independent shareholders' approval, annual review and all disclosure requirements were exempted.

The outstanding principal amount of the Shareholder's Loan was HK\$30,000,000 as at 31 December 2018 and had since increased to HK\$45,000,000 as at the Latest Practicable Date. The total interest incurred under the Shareholder's Loan for the year ended 31 December 2018 was approximately HK\$1 million.



## LETTER FROM THE BOARD

### THE LOAN CAPITALISATION AGREEMENT

The principal terms of the Loan Capitalisation Agreement are set out below:

#### **Date**

12 June 2019

#### **Parties**

- (i) the Company as issuer; and
- (ii) Mr. Chan, as the subscriber.

#### **Capitalisation Shares**

The Company conditionally agreed to allot and issue, and Mr. Chan conditionally agreed to subscribe for, the Capitalisation Shares at the Issue Price for the capitalisation of the Shareholder's Loan. The aggregate consideration for the allotment and issue of the Capitalisation Shares of HK\$1.93 will be settled by way of set off against the HK\$30,000,000 from Shareholder's Loan at Completion. As at the Latest Practicable Date, the outstanding principal amount of the Shareholder's Loan is HK\$45,000,000. Upon the allotment and issuance of the Capitalisation Shares in full at the Completion, the obligations of the Company under the Shareholder's Loan to repay HK\$30,000,000 will be discharged and the remaining balance of the Shareholder's Loan of HK\$15,000,000 will remain outstanding.

The 15,544,041 Capitalisation Shares represent:

- (i) approximately 6.27% of the issued share capital of the Company as at the Latest Practicable; and
- (ii) approximately 5.90% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares (without taking into account of the Shares which may be issued upon the exercise of the options under the Share Option Scheme and assuming there will be no change in the total number of issued Shares of the Company between the Latest Practicable Date and the date of Completion).

The Capitalisation Shares are not subject to any lock-up or other disposal restrictions under the Loan Capitalisation Agreement.

#### **Issue Price**

The Issue Price of HK\$1.93 per Capitalisation Share represents:

- (i) the closing price per Share of HK\$1.93 as quoted on the Stock Exchange on 12 June 2019, being the date of the Loan Capitalisation Agreement;

## LETTER FROM THE BOARD

- (ii) a premium of approximately 3.54% over the average closing price per Share of HK\$1.864 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Loan Capitalisation Agreement;
- (iii) a premium of approximately 2.33% over the average closing price per Share of HK\$1.886 as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the date of the Loan Capitalisation Agreement; and
- (iv) a discount of approximately 6.76% from the closing price per Share of HK\$2.07 as quoted on the Stock Exchange as at the Latest Practicable Date.

The aggregate nominal value of the Capitalisation Shares (with a par value of US\$0.1 each) is approximately US\$1,554,404.1. The Issue Price was arrived at on an arm's length basis between the Company and Mr. Chan with reference to the recent market price and trading performance of the Shares and the business prospects of the Group. The Directors (including independent non-executive Directors, whose view has been set out in this circular taking into account of the advice of the Independent Financial Adviser) consider that the Issue Price and the terms of the Loan Capitalisation Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **Conditions Precedent**

Completion is conditional upon satisfaction of the following conditions:

- (i) the approval of the Independent Shareholders of the entering into of the Loan Capitalisation Agreement and the transactions contemplated thereunder having been obtained in the EGM in accordance with the Listing Rules; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Capitalisation Shares.

None of the above conditions can be waived. If the above conditions are not fulfilled by 31 December 2019 or such other date as the parties to the Loan Capitalisation Agreement may agree, the Loan Capitalisation Agreement will terminate and all rights and obligations under the Loan Capitalisation Agreement will cease save for any rights and obligations accrued before the termination.

### **Completion**

Completion will take place on the fifth business day after the satisfaction of the last of the conditions, or such other date as may be agreed between the Company and Mr. Chan in writing.

### **Ranking of the Capitalisation Shares**

The Capitalisation Shares, when allotted and issued, shall rank pari passu in all respects with the existing Shares in issue at the date of allotment and issue of the Capitalisation Shares.

## LETTER FROM THE BOARD

### EFFECT OF THE CAPITALISATION SHARES ON THE SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion and the issue and allotment of the Capitalisation Shares in full as contemplated under the Loan Capitalisation, without taking into account of the Shares which may be issued upon the exercise of the options granted under the Share Option Scheme and the Shares which were granted but not yet vested under the Share Award Scheme and assuming there will be no change in the total number of issued Shares of the Company between the Latest Practicable Date and the date of Completion:

Shareholders	As at the Latest Practicable Date (Note 1)		Immediately after the Completion (Note 1)	
	Number of Shares	%	Number of Shares	%
<b>Mr. Chan and his associates</b>				
Mr. Chan	3,087,500	1.25	18,631,541	7.08
Purapharm Corporation Limited (Note 2)	51,566,500	20.82	51,566,500	19.59
Fullgold Development Limited (Note 3)	62,286,000	25.14	62,286,000	23.66
Gold Sparkle Limited (Note 4)	13,050,720	5.27	13,050,720	4.95
Ms. Man	75,000	0.03	75,000	0.03
<b>Sub-Total</b>	<b><u>130,065,720</u></b>	<b><u>52.51</u></b>	<b><u>145,609,761</u></b>	<b><u>55.31</u></b>
<b>Other Directors</b>				
Mr. Chan Kin Man, Eddie (Note 5)	3,135,000	1.27	3,135,000	1.19
Dr. Tsoi Kam Biu, Alvin	75,000	0.03	75,000	0.03
Mr. Ho Kwok Wah, George	10,000	0.01	10,000	0.01
Dr. Leung Kim Kin, Simon	10,000	0.01	10,000	0.01
Dr. Chan Kin Keung, Eugene	10,000	0.01	10,000	0.01
Prof. Tsui Lap Chee	10,000	0.01	10,000	0.01
<b>Sub-Total</b>	<b><u>3,250,000</u></b>	<b><u>1.31</u></b>	<b><u>3,250,000</u></b>	<b><u>1.23</u></b>
Shares held under the Share Award Scheme	2,206,000	0.89	2,206,000	0.84
Other public Shareholders	<u>112,196,200</u>	<u>45.29</u>	<u>112,196,200</u>	<u>42.62</u>
<b>Total</b>	<b><u>247,717,920</u></b>	<b><u>100.00</u></b>	<b><u>263,261,961</u></b>	<b><u>100.00</u></b>

## LETTER FROM THE BOARD

*Note:*

1. The percentage figures included in this table have been subject to rounding adjustments. Accordingly, the total numbers in the table may not be equal to the apparent total of individual items.
2. Mr. Chan and Ms. Man beneficially own 50% and 50%, respectively, of the issued share capital of Joint Partners Investments Limited, which in turn wholly owns the entire issued capital of Purapharm Corporation Limited (“**PuraPharm Corp**”), a limited liability company incorporated in the British Virgin Islands on 5 May 1998. Purapharm Corp owns 51,566,500 Shares.
3. Mr. Chan beneficially owns the entire issued share capital of Fullgold Development Limited, which in turn owns 62,286,000 Shares.
4. Mr. Chan beneficially owns the entire issued share capital of Gold Sparkle Limited, which in turn owns 13,050,720 Shares.
5. Mr. Eddie Chan wholly owns the entire issued share capital of Best Revenue Investments Limited and K.M. Chan & Co. Limited, which in turn owns 1,562,500 Shares and 1,562,500 Shares, respectively, and Mr. Eddie Chan beneficially owns 10,000 Shares.

### FUND RAISING EXERCISES IN THE PRIOR 12-MONTH PERIOD

The Company has not carried out any equity fund raising exercise in the 12-month period immediately preceding the Latest Practicable Date.

### INFORMATION ON THE COMPANY AND THE SUBSCRIBER

The Company is a company incorporated in the Cayman Islands with limited liability.

The principal activity of the Company is investment holding and its subsidiaries have been principally engaged in the research and development, production and sale of concentrated Chinese medicine granule (CCMG) products and Chinese healthcare products, plantation and trading of raw Chinese herbs, and the manufacture and sale of traditional Chinese medicine (TCM) decoction pieces as well as the rendering of Chinese medical diagnostic services.

As at the Latest Practicable Date, Mr. Chan, as the subscriber, is the chairman of the Board, and the chief executive officer, an executive Director and the controlling Shareholder of the Company, who is interested in 129,975,720 Shares, representing approximately 52.51% of the issued share capital of the Company (without taking into account of the Shares which may be issued upon the exercise of the options granted under the Share Option Scheme and the Shares which were granted but not yet vested under the Share Award Scheme).

### REASONS FOR THE LOAN CAPITALISATION

According to the 2018 annual report of the Company (the “**Annual Report**”), the Company had net current assets of approximately HK\$131.5 million, net cash used in investing activities of approximately HK\$36.1 million and net cash used in financing activities of HK\$28.0 million for the year ended 31 December 2018. For details of the actual use of the Shareholder’s Loan, please refer to the paragraph headed “Background of the Loan Capitalisation — Actual Use of the Shareholder’s Loan” above.

## LETTER FROM THE BOARD

As discussed in the 2018 Annual Report, the Directors consider that the Company is implementing the strategy of vertical integration and strengthening its supply chain with a “farm to clinic” concept. Such expansion requires a strong support of financial resources. As at 31 December 2018, the Group had interest-bearing bank and other borrowings amounting to HK\$518.5 million and the liquidating ratio of the Company was approximately 1.0. In order to meeting the further demand for cashflow for operation and expansion of the Group, the Loan Capitalisation will allow the Company to reduce its financial costs and settle its indebtedness without utilising its existing financial resources while reducing the gearing level of the Group and hence can strengthen the financial position of the Group.

The Directors has considered other alternative means for raising fund to settle the Shareholder’s Loan, such as further bank borrowings, share placement, rights issue or open offer. However, having taken into account that (i) debt financing and bank borrowing will inevitably increase the financial expenses and gearing ratio of the Group; (ii) debt financing usually requires pledge of assets by the borrower; (iii) the Loan Capitalisation will reduce the gearing ratio and interest expenses of the Group; and (iv) other equity financing such as placing of Shares, rights issue and open offer usually require attractive discount to the current market price of the Shares and are relatively more time consuming and less cost effective as compared to the Loan Capitalisation, the Directors consider that the Loan Capitalisation is a more desirable solution for the Group to settle the Shareholder’s Loan.

Although the allotment and issue of the Capitalisation Shares will have a dilution effect to the existing Shareholders, having considered (i) no discount is to be made for issuing the Capitalisation Shares over the market price of the Shares as of the date of the Loan Capitalisation Agreement; (ii) the Capitalisation Shares, when allotted and issued, will be recognised entirely as equity of the Company which in turn will reduce the gearing ratio, and enlarge the capital base and enhance the net asset position of the Company; (iii) the Loan Capitalisation enables the Group to settle its existing liabilities without utilising financial resources and avoid cash outflow and (iv) Company can save any future interest expenses arising from the Shareholder’s Loan, the Directors consider that the dilution effect arising from the allotment and issue of the Capitalisation Shares is fair and reasonable.

Upon Completion, the gross proceeds of HK\$30,000,000 will be used for setting off against the outstanding principal amount of HK\$45,000,000 under the Shareholder’s Loan at Completion. The remaining balance of HK\$15,000,000 in the principal of the Shareholder’s Loan will remain to be outstanding after the Completion. Having considered the factors set out above, the Directors (including the independent non-executive Directors whose views have been set out in this circular together with the advice of the Independent Financial Adviser) consider that the terms of the Loan Capitalisation Agreement are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole.

### **SPECIFIC MANDATE**

The Capitalisation Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

## LETTER FROM THE BOARD

### APPLICATION FOR LISTING

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Capitalisation Shares.

### LISTING RULES IMPLICATION

As at the Latest Practicable Date, Mr. Chan is the chairman of the Board, the chief executive officer, and an executive Director. He is also the controlling Shareholder of the Company, who is interested in 130,065,720 Shares, representing approximately 52.51% of the issued share capital of the Company, in which (i) Mr. Chan beneficially owned 3,087,500 Shares, representing 1.25% of the issued share capital of the Company; (ii) Purapharm Corporation Limited, a company owned as to 50% and 50% by Mr. Chan and Ms. Man, beneficially owned 51,566,500 Shares, representing 20.82% of the issued share capital of the Company; (iii) Fullgold Development Limited, a company entirely owned by Mr. Chan, beneficially owned 62,286,000 Shares, representing 25.14% of the issued share capital of the Company; (iv) Gold Sparkle Limited, a company entirely owned by Mr. Chan, beneficially owned 13,050,720 Shares, representing 5.27% of the issued share capital of the Company; and (v) the deemed interest of 75,000 Shares beneficially owned by Ms. Man, representing 0.03% of the issued share capital of the Company. As such, Mr. Chan is a connected person of the Company. Accordingly, the Loan Capitalisation constitutes a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

Voting at the EGM will be conducted by poll and Mr. Chan and his associates, including his spouse, namely Ms. Man, shall abstain from voting on the proposed resolution(s) to approve the Loan Capitalisation Agreement and the transactions contemplated thereunder at the EGM.

Mr. Chan, being the chairman of the Board, the chief executive officer and an executive Director, and his spouse, Ms. Man, an executive Director, have abstained from voting on the Board resolutions approving the Loan Capitalisation Agreement and the transactions contemplated thereunder. Save as disclosed above, (i) no other Director has a material interest in the Loan Capitalisation Agreement and the transactions contemplated thereunder or is required to abstain from voting on the Board resolutions in relation to the aforesaid matters; and (ii) to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has any material interest in the Loan Capitalisation Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) and therefore no other Shareholder is required to abstain from voting at the EGM in respect of the resolution(s) approving the aforesaid matters.

### EGM

The EGM will be convened by the Company at Boardroom 6, M/F, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong at 2:30 p.m. on Thursday, 8 August 2019 for the Independent Shareholders to consider, and if thought fit, approve Loan Capitalisation Agreement, the grant of Specific Mandate and the transactions contemplated thereunder, by way of poll.

## LETTER FROM THE BOARD

The notice of EGM is set out in pages 37 to 39 of this circular. A form of proxy for use by the shareholders of the Company at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to read this circular and complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM (i.e. not later than 2:30 p.m. on Tuesday, 6 August 2019) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

Voting at the EGM will be conducted by poll and Mr. Chan and his associates, including his spouse, namely Ms. Man, shall abstain from voting on the proposed resolution(s) to approve the Loan Capitalisation Agreement and the transactions contemplated thereunder at the EGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has any material interest in the Loan Capitalisation Agreement, the grant of the Specific Mandate and the transactions contemplated thereunder and therefore no other Shareholder is required to abstain from voting at the EGM in respect of the resolutions approving the aforesaid matters.

### **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining shareholders who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 5 August 2019 to Thursday, 8 August 2019 (both dates inclusive), during which period no transfer of Shares can be registered. In order to be eligible to attend and vote at the EGM, all completed share transfer instruments accompanied by the relevant share certificates must be lodged with the Share Registrar at Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Friday, 2 August 2019.

### **RECOMMENDATIONS**

Your attention is drawn to the letter of advice from the Independent Board Committee set out on pages 15 to 16 in this circular which contains its recommendation to the Independent Shareholders in relation to the Loan Capitalisation Agreement, the grant of the Specific Mandate and the transactions contemplated thereunder.

Your attention is also drawn to the letter from the Independent Financial Adviser set out on pages 17 to 31 in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Loan Capitalisation Agreement and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors whose views have been set out in this circular together with the advice of the Independent Financial Adviser) consider that while the Loan Capitalisation is not in the ordinary and usual course of the business of the Company, the terms of the Loan Capitalisation Agreement, the grant of the Specific Mandate and the transactions contemplated thereunder are fair and reasonable and the terms of the Loan



## LETTER FROM THE BOARD

Capitalisation is on normal commercial terms or better. As such, the Loan Capitalisation is in the interests of the Company and the Shareholders as a whole. The Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

### MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

By Order of the Board  
**Purapharm Corporation Limited**  
**Chan Yu Ling, Abraham**  
*Chairman and Executive Director*



## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

*The following is the text of the letter from the Independent Board Committee setting out its recommendations to the Independent Shareholders in connection with the entering into of the Loan Capitalisation Agreement for inclusion in this circular.*



# PuraPharm

## PURAPHARM CORPORATION LIMITED

培力控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1498)**

24 July 2019

*To the Independent Shareholders*

### **PROPOSED CONNECTED TRANSACTION; AND PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE FOR CAPITALISATION OF THE SHAREHOLDER'S LOAN**

We refer to the circular dated 24 July 2019 (the “**Circular**”) issued by the Company to the Shareholders of which this letter forms a part. The Capitalised terms defined in the letter shall have the same meanings as those defined in the Circular unless specified otherwise.

We have been formed to advise the Independent Shareholders in relation to the Loan Capitalisation Agreement, the grant of Specific Mandate and the transactions contemplated thereunder. Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect the terms of the Loan Capitalisation Agreement and the transactions contemplated thereunder.

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 14 of the Circular and the text of a letter of advice from the Independent Financial Adviser, as set out on pages 17 to 31 of the Circular, both of which provide details of the terms of the Loan Capitalisation Agreement and the transactions contemplated thereunder. After taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we concur with its views and consider that while the Loan Capitalisation is not in the ordinary and usual course of the business of the Company, the terms of the Loan Capitalisation Agreement and the transactions contemplated thereunder are fair and reasonable and the terms of the Loan Capitalisation is on normal commercial terms or better. Therefore, the Loan Capitalisation is in the interests of the Company and the Shareholders as a whole.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

Yours faithfully,  
For and on behalf of  
**The Independent Board Committee of  
Purapharm Corporation Limited**

**Dr. Chan Kin Keung,  
Eugene**  
*Independent Non-executive  
Directors*

**Mr. Ho Kwok Wah,  
George**  
*Independent Non-executive  
Directors*

**Dr. Leung Lim Kin,  
Simon**  
*Independent Non-executive  
Directors*

**Professor Tsui Lap Chee**  
*Independent Non-executive  
Directors*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the text of a letter of advice from Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the connected transaction as contemplated under the Loan Capitalisation Agreement, which has been prepared for the purposes of incorporation in this circular.*

# ALTUS.

Altus Capital Limited  
21 Wing Wo Street  
Central, Hong Kong

24 July 2019

*To the Independent Board Committee and the Independent Shareholders*

**PuraPharm Corporation Limited**  
Suite 4002, Jardine House  
1 Connaught Place  
Central  
Hong Kong

Dear Sir or Madam,

### **PROPOSED CONNECTED TRANSACTION PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE FOR CAPITALISATION OF THE SHAREHOLDER'S LOAN**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of Loan Capitalisation Agreement and the transactions contemplated thereunder. Details of the Loan Capitalisation are set out in the “Letter from the Board” contained in the circular of the Company dated 24 July 2019 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 12 June 2019, the Company and Mr. Chan entered into the Loan Capitalisation Agreement pursuant to which the Company as issuer conditionally agreed to allot and issue and Mr. Chan as the subscriber conditionally agreed to subscribe for 15,544,041 Capitalisation Shares at the Issue Price of HK\$1.93 per Capitalisation Share for the capitalisation of an amount of HK\$30,000,000 out of the total outstanding principal amount of HK\$45,000,000 as at the Latest Practicable Date. The Capitalisation Shares represent (i) approximately 6.27% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 5.90% of the issued share capital of the Company as enlarged by the allotment and issuance of the Capitalisation Shares (without taking into account of the Shares which may be issued upon the exercise of the options under the Share Option Scheme and assuming there will be no change in the total number of issued Shares of the Company between the Latest

## **LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

Practicable Date and the date of Completion). The Capitalisation Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

### **LISTING RULES IMPLICATIONS**

As at the Latest Practicable Date, Mr. Chan is the chairman of the Board, an executive Director and the chief executive officer of the Company. He is also the controlling Shareholder of the Company and therefore a connected person of the Company. As such, the Loan Capitalisation constitutes a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

Given that Mr. Chan is a connected person of the Company and is considered as being interested in the Loan Capitalisation, Mr. Chan and his associates, including his spouse, Ms. Man, shall abstain from voting on the proposed resolutions to approve the Loan Capitalisation Agreement and the transactions contemplated thereunder at the EGM. It is noted that save for the aforesaid, (i) no other Director has a material interest in the Loan Capitalisation Agreement and the transactions contemplated thereunder or is required to abstain from voting on the Board resolutions in relation to the Loan Capitalisation Agreement and the transactions contemplated thereunder; (ii) to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has any material interest in the Loan Capitalisation Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) and therefore no other Shareholder is required to abstain from voting at the EGM in respect of the resolutions approving the Loan Capitalisation Agreement and the transactions contemplated thereunder.

### **THE INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, comprising all four of the Independent Non-Executive Directors of the Company, namely Dr. Chan Kin Keung, Eugene, Mr. Ho Kwok Wah, George, Dr. Leung Lim Kin, Simon, and Prof. Tsui Lap Chee, has been established to advise the Independent Shareholders as to (i) whether the Loan Capitalisation Agreement has been entered into in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the Loan Capitalisation Agreement are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the resolutions relating to the Loan Capitalisation and the transactions contemplated thereunder at the EGM.

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the Loan Capitalisation Agreement has been entered into in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the Loan Capitalisation Agreement are on normal commercial terms and are fair and reasonable

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

as far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the resolutions relating to the Loan Capitalisation and the transactions contemplated thereunder at the EGM.

We have not acted as an independent financial adviser or financial adviser of the Group in the last two years from the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the Loan Capitalisation Agreement and the transactions contemplated thereunder is at market level and not conditional upon successful passing of the resolutions to be proposed at the EGM, and that our engagement is on normal commercial terms, we are independent of, and not associated with the Company, its controlling Shareholder or connected person(s).

### BASIS OF OUR ADVICE

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst others, (i) the Loan Capitalisation Agreement; (ii) the loan agreement entered into between Mr. Chan and the Company dated 14 March 2018 (the “**Loan Agreement**”); (iii) the Company’s the annual report for the year ended 31 December 2018 (“**2018 Annual Report**”); (iv) the profit warning announcement of the Company dated 19 July 2019; and (v) other information as set out in the Circular.

We have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations, we have taken into account the following principal factors and reasons:

### 1. Background information of the Group

#### *1.1 Principal businesses and information on the Group*

The Group is principally engaged in the research and development, production, marketing and sale of concentrated Chinese medicine granules (“CCMG”) products marketed under its brand “Nong’s”.

#### *1.2 Financial information of the Group*

Set out below is a summary of the financial results of the Group for the two years ended 31 December 2017 and 2018 as extracted from the 2018 Annual Report.

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2018</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)
Revenue	745,503	591,566
— China CCMG	324,611	221,526
— Hong Kong CCMG	171,772	180,987
— Chinese healthcare products	99,024	85,120
— Nong’s Chinese medicine clinics	95,870	77,565
— Plantation	54,226	26,368
Gross profit	454,900	395,858
Profit/(loss) attributable to equity holders	20,806	1,889
	<b>As at 31 December</b>	
	<b>2018</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)
Total current assets	732,224	692,185
— cash and cash equivalents	104,884	86,805
Total current liabilities	600,725	684,094
— Interest-bearing bank and other borrowings	354,028	493,744
— Loans from a director <sup>Note</sup>	30,000	—
Total non-current liabilities	170,159	60,801
— Interest-bearing bank and other borrowings	164,449	54,277

*Source: 2018 Annual Report*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*Note:* “Loans from a director” represents the Shareholder’s Loan as defined in the Circular. The total outstanding principal amount of the Shareholder’s Loan had increased to HK\$45 million as at the Latest Practicable Date.

### *Revenue*

For the year ended 31 December 2018, the Group’s revenue amounted to approximately HK\$745.5 million, representing an increase of approximately 26.0% as compared to approximately HK\$591.6 million in 2017. The growth was driven principally by (i) the growth of the Group’s CCMG products in the China market; (ii) the growth of Nong’s clinics in Hong Kong; and (iii) full consolidation of the results of subsidiaries acquired during 2017.

### *Cash and cash equivalents*

As at 31 December 2018, the Group had approximately HK\$104.9 million cash and cash equivalents, representing approximately 29.6% of the interest-bearing bank and other borrowings repayable within one year or on demand and approximately 17.5% of the total current liabilities.

### *The Shareholder’s Loan*

The Loan Agreement was entered into for the purpose of financing the general corporate funding requirements of the Group. The outstanding principal amount of the Shareholder’s Loan was HK\$30,000,000 as at 31 December 2018 and had since increased to HK\$45,000,000 as at the Latest Practicable Date. The Shareholder’s Loan bears interest at the rate of 1-month HIBOR plus 2.5% per annum, which is determined according to prices and conditions similar to those offered by banks to the Group at that time. According to the Management, the total interest incurred under the Shareholder’s Loan for the year ended 31 December 2018 was approximately HK\$1 million.

### *Total interest-bearing bank and other borrowings*

The Group has a considerable amount of interest-bearing borrowings. Total interest-bearing bank and other borrowings amounted to approximately HK\$548.0 million and HK\$518.5 million as at 31 December 2017 and 2018 respectively, representing approximately 73.6% and 67.3% of the total liabilities of the Group. As at 31 December 2018, the gearing ratio of the Group, calculated by dividing total interest-bearing bank and other borrowings, and loan from a director by the total equity, was approximately 1.0 which is at a similar level as at 31 December 2017.

### ***1.3 Conclusion***

Based on our discussion with the Management, the Group's short-term working capital requirements have increased in tandem with its business expansion, which necessitated the entering into of the Loan Agreement with Mr. Chan in March 2018 as interim measures. Taking into account the abovementioned financial resources and the short-term liabilities of the Group, we concur with the Management that the Loan Capitalisation enables the Group to (i) settle part of its existing liabilities without depleting its existing financial resources; and (ii) reduce its gearing level and lower the financial burdens of the Group, which is in the interests of the Company and its Shareholders as a whole, despite the entering into of the Loan Capitalisation Agreement is not in the ordinary and usual course of business of the Group.

## **2. Principal terms of the Loan Capitalisation Agreement**

Pursuant to the Loan Capitalisation Agreement, the Company as issuer conditionally agreed to allot and issue and Mr. Chan as the subscriber conditionally agreed to subscribe 15,544,041 Capitalisation Shares at the Issue Price of HK\$1.93 per Share for the capitalisation of an amount of HK\$30,000,000 out of the total outstanding principal amount of the Shareholder's Loan. For further details of the terms of the Loan Capitalisation Agreement, please refer to the "Letter from the Board" in the Circular. To assess the fairness and reasonableness of the terms of the Loan Capitalisation Agreement, we have considered the following:

### ***2.1 The Issue Price***

The Issue Price of HK\$1.93 per Capitalisation Share was arrived at on an arm's length basis between the Company and Mr. Chan with reference to the recent market price and trading performance of the Shares and the business prospects of the Group. The Issue Price of HK\$1.93 per Capitalisation Share represents:

- (i) the closing price of HK\$1.93 as quoted on the Stock Exchange on 12 June 2019, being the date of the Loan Capitalisation Agreement (the "**Last Trading Date**");
- (ii) a premium of approximately 3.54% over the average closing price per Share of HK\$1.864 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the Last Trading Date; and
- (iii) a premium of approximately 2.33% over the average closing price per Share of HK\$1.886 as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the Last Trading Date.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To assess the fairness and reasonableness of the Issue Price, we have conducted the following analyses:

### *2.1.1 Transaction comparable analysis*

We have identified a list of 13 comparable companies (the “**Transaction Comparables**”) based on the following criteria: (i) companies listed on the Stock Exchange; and (ii) companies that had published announcements in relation to issuance of shares for capitalisation of loan, placing and issuance of new shares under specific mandate during the three months prior to 12 June 2019, being the date of the Loan Capitalisation Agreement.

We consider the above criteria to be fair and representative for analysis purposes, reflecting the recent sentiment and risk appetite of the market. Independent Shareholders should be aware that the principal business, operational scale, financial performance and position, as well as the market trading price and liquidity trends of the Transaction Comparables may not be the same as, or may be substantially different from, that of the Company. We have not conducted detailed investigation into these areas for the purpose of this analysis. We believe the identified Transaction Comparables listed below to be exhaustive and is sufficient for us to form a view on the reasonableness of the Issue Price.

Date of announcement	Company name	Stock Code	Premium/ (discount) of the placing/ subscription/ issue price over/ (to) closing price per share on the last trading day prior to the date of the corresponding announcement %	Premium/ (discount) of the placing/ subscription/ issue price over/ (to) the average closing price per share for the last five consecutive trading days prior to the date of the corresponding announcement %
			(Note 1)	(Note 1)
5 June 2019	Royale Furniture Holdings Limited <i>(Note 2)</i>	1198	6.25	5.15
5 June 2019	China Singyes Solar Technologies Holdings Limited <i>(Note 2)</i>	0750	(7.07)	(6.50)
30 May 2019	National Arts Entertainment and Culture Group Limited <i>(Note 2, 3)</i>	8228	46.20	45.00
28 May 2019	Common Splendor International Health Industry Group Limited <i>(Note 2)</i>	0286	(20.00)	(20.32)

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

Date of announcement	Company name	Stock Code	Premium/ (discount) of the placing/ subscription/ issue price over/ (to) closing price per share on the last trading day prior to the date of the corresponding announcement %	Premium/ (discount) of the placing/ subscription/ issue price over/ (to) the average closing price per share for the last five consecutive trading days prior to the date of the corresponding announcement %
			(Note 1)	(Note 1)
23 May 2019	Alibaba Health Information Technology Limited	0241	(2.34)	(4.21)
16 May 2019	We Solutions Limited <i>(Note 2)</i>	0860	4.00	9.01
14 May 2019	Jiangsu Nandasoft Technology Company Limited <i>(Note 2)</i>	8045	(3.23)	(7.14)
09 May 2019	Guangdong Adway Construction (Group) Holdings Company Limited	6189	(2.17)	(2.86)
2 May 2019	ZH International Holdings Limited	0185	11.76	7.34
26 April 2019	Jiayuan International Group Limited	2768	(3.76)	(4.65)
15 April 2019	Chong Kin Group Holdings Limited	1609	(8.00)	(10.00)
2 April 2019	Feiyu Technology International Company Ltd.	1022	18.64	4.48
12 March 2019	Furniweb Holdings Limited	8480	(11.03)	(4.87)
		Maximum	46.20	45.00
		Minimum	(20.00)	(20.32)
		Average	2.25	0.80
		Median	(2.34)	(4.21)
		<b>Issue Price</b>	<b>0.00</b>	<b>3.54</b>

*Notes:*

- (1) The premium/discount is extracted from these companies' published announcements.
- (2) These companies have yet to publish the respective circulars as at the Latest Practicable Date.
- (3) This company announced on 21 June 2019 that a winding up petition was filed against it and that it is in the process of appointing a provisional liquidator for restructuring purposes.

*Source: Website of the Stock Exchange*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted an outlier among the Transaction Comparables which has particularly high level of relevant premiums, being National Arts Entertainment and Culture Group Limited. It is noted that a winding up petition has been filed against it which may render the circumstance surrounding its issuance of new shares unique. Therefore, we conducted our analysis on the Issue Price with reference to the Transaction Comparables by excluding National Arts Entertainment and Culture Group Limited (the “**Adjusted Transaction Comparables**”). The range of the placing/issue prices of the Adjusted Transaction Comparables, as compared to their closing prices per share on the respective last trading days, is from a discount of approximately 20.00% to a premium of approximately 18.64%, with an average of a discount of approximately 1.41% and a median of a discount of approximately 2.79%. When comparing the placing/issue prices of the Adjusted Transaction Comparables to their average closing prices per share for the five consecutive trading days prior to the dates of relevant announcements, the range is from a discount of approximately 20.32% to a premium of approximately 9.01%, with an average of a discount of approximately 2.88% and a median of a discount of approximately 4.43%.

The Issue Price and the level of premium (where applicable), when compared to the Company’s closing price per Share on the Last Trading Day and the average closing price per Share for the last five consecutive trading days immediately preceding the Last Trading Date, falls within the ranges of the Adjusted Transaction Comparables and is above the average and the median of the Adjusted Transaction Comparables.

Having considered the above analysis, we are of the view that the Issue Price is fair and reasonable and has been determined on normal commercial terms.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 2.1.2 Price-to-earnings comparable analysis

Price-to-earnings ratio is a common approach adopted by the investment community in valuing the stock price of listed companies. We have identified a list of four companies (the “**P/E Comparables**”) that: (i) are companies listed on the Stock Exchange; (ii) are principally engaged in similar businesses as compared to the Group, being among others, production and sales of Chinese medicine; and (iii) are profit-making in the last financial year. We believe the identified P/E Comparables listed below to be exhaustive and is sufficient for us to form a view on the reasonableness of the Issue Price.

Company name	Stock code	Principal business	Price-to-earnings ratio as at the Last Trading Date (Times)
Tong Ren Tang Technologies Co. Ltd	1666	Production and distribution of Chinese medicines and healthcare products in mainland China	16.19
China Traditional Chinese Medicine Co. Ltd	0570	Manufacturing and sales of TCM, chemical medicine and bio- medicine products	11.47
Jilin Province Huinan Changlong Bio- pharmacy Co. Ltd.	8049	Sales of Chinese medicines and pharmaceutical products	3.18
China Shineway Pharmaceutical Group Limited	2877	Research and development, manufacturing and trading of modern Chinese medicines	9.72
		Maximum	16.19
		Minimum	3.18
		Average	10.14
		Median	10.60
The Company (at Issue Price)			22.73

*Source: Website of the Stock Exchange*

As shown in the above table, we note that the price-to-earnings ratio of the P/E Comparables ranged from 3.18 times to 16.19 times with average and median of 10.14 times and 10.60 times respectively. The price-to-earnings ratio of the Company is approximately 22.73 times based on the Issue Price and its earnings per Share for the year ended 31 December 2018, which is notably

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

higher than those of the P/E Comparables. From the perspective of price-to-earnings ratio valuation, we are of the view that the Issue Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### 2.1.3 Liquidity analysis

For the purpose of liquidity analysis, we have chosen the period from 1 June 2018 (being the first trading day of the 12th calendar month prior to the date of the Loan Capitalisation Agreement) to the date of the Loan Capitalisation Agreement (the “**Last Trading Date**”) as the review period (the “**Review Period**”) as we are of the view that such period can provide a general illustration for the trading volume of the Shares when conducting a liquidity analysis on the Shares. We set out in the below table the trading volume of the Shares on the Stock Exchange during the Review Period:

	Total number of issued Shares at month end <i>(number of Shares)</i>	Monthly total trading volume of the Shares for the month/ period <i>(number of Shares)</i>	Number of trading days during the month/ period <i>(days)</i>	Average daily trading volume of Shares for the month/ period <i>(number of Shares)</i>	Percentage of average daily trading volume of Shares to the total issued Shares <i>(%)</i>
<b>2018</b>					
June	247,717,920	1,030,500	20	51,525	0.02
July	247,717,920	1,207,000	21	57,476	0.02
August	247,717,920	1,191,000	23	51,783	0.02
September	247,717,920	632,500	19	33,289	0.01
October	247,717,920	1,787,000	21	85,095	0.03
November	247,717,920	1,460,500	22	66,386	0.03
December	247,717,920	1,326,000	19	69,789	0.03
<b>2019</b>					
January	247,717,920	1,441,000	22	65,500	0.03
February	247,717,920	331,000	17	19,471	0.01
March	247,717,920	1,106,500	21	52,690	0.02
April	247,717,920	2,246,554	19	118,240	0.05
May	247,717,920	7,819,000	21	372,333	0.15
June (up to the Last Trading Day)	247,717,920	107,000	7	15,286	0.01
			Maximum	372,333	0.15
			Minimum	15,286	0.01
			Average	81,451	0.03

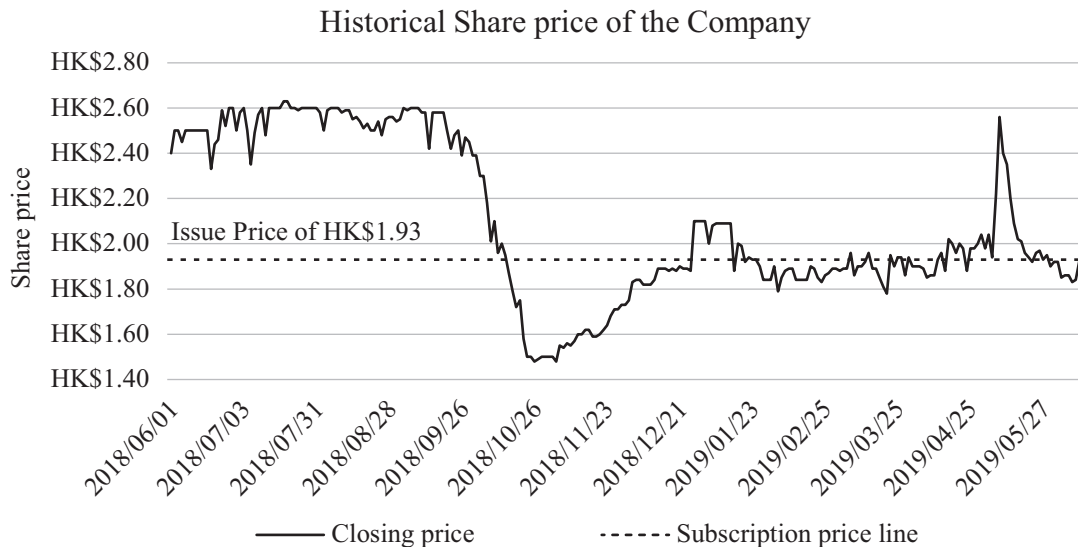
*Source: Website of the Stock Exchange*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the table above, the average daily trading volume of the Shares on the Stock Exchange during the Review Period was approximately 81,451 Shares, representing approximately 0.03% of the total number of issued Shares of the Company during the relevant period, which was generally thin. Given such limited liquidity, issuance of new Shares to potential investors to raise funds will likely require a considerable level of discount to the prevailing market price of the Shares. In this case, Mr. Chan will in effect be receiving the Capitalisation Shares at the Issue Price which represents a premium of approximately 3.54% over the average closing price per Share for the last five consecutive trading days immediately preceding the Last Trading Date. Based on the above liquidity of Shares analysis, we are of the view that the Issue Price is fair and reasonable.

### 2.1.4 Historical Share price analysis

We set out in the below chart the Issue Price as compared to the daily closing price of the Shares as quoted on the Stock Exchange during the Review Period. We are of the view that such a period can provide a general illustration of the Share price performance for the purpose of historical Share price analysis:



As illustrated in the above chart, the daily closing price of the Shares experienced some volatility in the second half of 2018 and remained relatively stable during the past six calendar months prior to the Last Trading Date, save for a short period of around five trading days in early May 2019 where the Share price experienced high fluctuations. During this six-month period, the average closing price of the Shares was approximately HK\$1.94 per Share.

The Issue Price of HK\$1.93 per Capitalisation Share is (i) within the range of the daily closing price of the Shares during the Review Period; and (ii) is close to the average daily closing price per Share of approximately HK\$1.94

during the six months prior to the Last Trading Day. On this basis, we are of the view that the Issue Price is fair and reasonable from the perspective of historical Share price trend.

## ***2.2 Conclusion***

Having considered that (i) the Issue Price is at a premium over the average closing prices per share for the five consecutive trading days prior to the dates of the Loan Capitalisation Agreement; (ii) the Issue Price and the level of premium (where applicable) is fair and reasonable when compared to the Adjusted Transaction Comparables; (iii) the price-to-earnings ratio of the Company as implied by the Issue Price is notably higher than those of the P/E Comparables; (iv) Mr. Chan has agreed to subscribe for the Capitalisation Shares at the Issue Price given the limited liquidity of the Shares; and (v) the Issue Price is within the range of the daily closing price per Shares during the Review Period and that it is close to the average daily closing price per Share during the six months prior to the Last Trading Day, we are of the view that the Issue Price is on normal commercial terms and is fair and reasonable as far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

## **3 Financial effects on the Group and effects on the shareholding structure of the Company**

### ***3.1 Financial effects of the Loan Capitalisation on the Group***

#### *Earnings*

As the Shareholder's Loan bears interest at a floating rate of 1 month HIBOR plus 2.5% per annum, the Loan Capitalisation will enable the Group to save on finance costs going forward. Assuming the 1 month HIBOR remains at approximately 2.17%, being the rate on the date of the Loan Capitalisation Agreement, the Company can save an annual interest expense of approximately HK\$1.4 million per annum (based on the amount of HK\$30 million to be capitalised multiply by all-in interest cost of 4.67% per annum). This will in turn enhance the earnings of the Group.

#### *Gearing ratio*

Upon the Completion, the liabilities of the Company will reduce by HK\$30,000,000. As at 31 December 2018, the gearing ratio of the Company, calculated by dividing total interest-bearing bank and other borrowings, and loan from a director by the total equity, was approximately 1.0. For illustration purpose, upon completion of the Loan Capitalisation, assuming other components being equal, the gearing ratio of the Company will decrease by around 0.1 to approximately 0.9.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 3.2 *Effects on the shareholding structure of the Company*

Set out in the table below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion, without taking into account of the Shares which may be issued upon the exercise of the options under the Share Option Schemes and the Shares which were granted but not yet vested under the Share Award Scheme and assuming no change in the total number of the issued Shares between the Latest Practicable Date and the allotment and issue of the Capitalisation Shares.

<b>Shareholders</b>	<b>As at the Latest Practicable Date</b>		<b>Immediately after the Completion</b>	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
<b>Mr. Chan and his associates</b>	<u>130,065,720</u>	<u>52.51</u>	<u>145,609,761</u>	<u>55.31</u>
<b>Other Directors</b>	<u>3,250,000</u>	<u>1.31</u>	<u>3,250,000</u>	<u>1.23</u>
Shares held under the Share Award Scheme	2,206,000	0.89	2,206,000	0.84
Other public Shareholders	<u>112,196,200</u>	<u>45.29</u>	<u>112,196,200</u>	<u>42.62</u>
<b>Total</b>	<u><b>247,717,920</b></u>	<u><b>100.00</b></u>	<u><b>263,261,961</b></u>	<u><b>100.00</b></u>

Pursuant to the Loan Capitalisation Agreement, the 15,544,041 Capitalisation Shares represents approximately 6.27% of the issued share capital of the Company as at the Latest Practicable Date and approximately 5.90% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares (without taking into account of the Shares which may be issued upon the exercise of the options under the Share Option Schemes and assuming no change in the total number of the issued Shares of the Company between the Latest Practicable Date and the allotment and issue of the Capitalisation Shares). The shareholdings of the existing public Shareholders will be diluted from approximately 45.29% to approximately 42.62% upon Completion.

### 3.3 *Conclusion*

Despite the dilution effect brought about by the issuance of Capitalisation Shares to the existing Shareholders; taking into account that (i) the Issue Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole; (ii) the Loan Capitalisation will save future interest expenses arising from the



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholder's Loan; and (iii) the enhancement to the Group's earnings and gearing ratio after the Completion, we consider that the dilution effects on the shareholding interest of the public Shareholders are acceptable.

### RECOMMENDATION

Having considered the above principal factors, we are of the view that (i) Loan Capitalisation as contemplated under the Loan Capitalisation Agreement is in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Loan Capitalisation Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, despite the entering into of the Loan Capitalisation Agreement not being in the ordinary and usual course of business of the Group.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolutions approving the Loan Capitalisation Agreement and the transactions as contemplated thereunder to be proposed at the EGM.

Yours faithfully  
For and on behalf of  
**Altus Capital Limited**

**Chang Sean Pey**  
*Executive Director*

**Leo Tam**  
*Assistant Director*

*Mr. Chang Sean Pey (“**Mr. Chang**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities); Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 20 years of experience in banking, corporate finance and advisory, and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*

*Mr. Leo Tam (“**Mr. Tam**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. He has over four years of experience in corporate finance and advisory in Hong Kong, in particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions. Mr. Tam is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DIRECTORS' INTERESTS

### Interests of Directors in the Company

As at Latest Practicable Date, the interests or short positions of the Directors or the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the standard of dealings by the Directors as referred to in the Listing Rules, were as follows:

Name	Nature of Interest	Total number of shares held (Long position)	Approximate percentage of shareholding
Mr. Chan	Interest of controlled corporations ( <i>Note 1, 2 and 3</i> )	126,903,220	51.23%
	Beneficial ownership	5,170,500	2.09%
	Interest of Spouse ( <i>Note 4</i> )	830,000	0.34%
	Beneficiary of a trust ( <i>Note 8</i> )	150,000	0.06%
Ms. Man	Interest of controlled corporations ( <i>Note 5</i> )	51,566,500	20.82%
	Beneficial ownership	755,000	0.3%
	Interest of Spouse ( <i>Note 6</i> )	80,657,220	32.56%
	Beneficiary of a trust ( <i>Note 8</i> )	75,000	0.03%
Mr. Chan Kin Man, Eddie	Interest of controlled corporations ( <i>Note 7</i> )	3,125,000	1.26%
	Beneficial ownership	2,093,000	0.84%
	Beneficiary of a trust ( <i>Note 8</i> )	10,000	0.01%

Name	Nature of Interest	Total number of shares held (Long position)	Approximate percentage of shareholding
Dr. Tsoi Kam Biu,	Beneficial ownership	755,000	0.3%
Alvin	Beneficiary of a trust ( <i>Note 8</i> )	10,000	0.01%
Dr. Chan Kin	Beneficial ownership	10,000	0.01%
Keung, Eugene	Beneficiary of a trust ( <i>Note 8</i> )	10,000	0.01%
Mr. Ho Kwok	Beneficial ownership	10,000	0.01%
Wah, George	Beneficiary of a trust ( <i>Note 8</i> )	10,000	0.01%
Dr. Leung Lim	Beneficial ownership	10,000	0.01%
Kin, Simon	Beneficiary of a trust ( <i>Note 8</i> )	10,000	0.01%
Prof. Tsui Lap	Beneficial ownership	10,000	0.01%
Chee	Beneficiary of a trust ( <i>Note 8</i> )	10,000	0.01%

*Notes:*

- Mr. Chan beneficially owns 50% of the issued share capital of Joint Partners Investments Limited (“**Joint Partners**”), which in turn wholly owns the entire issued capital of Purapharm Corporation Limited (“**PuraPharm Corp**”), a limited liability company incorporated in the British Virgin Islands on 5 May 1998. Purapharm Corp owns 51,566,500 Shares. By virtue of the SFO, Mr. Chan is deemed to be interested in the Shares held by PuraPharm Corp.
- Mr. Chan beneficially owns the entire issued share capital of Fullgold Development Limited (“**Fullgold Development**”), which in turn owns 62,286,000 Shares. By virtue of the SFO, Mr. Chan is deemed to be interested in the Shares held by Fullgold Development.
- Mr. Chan beneficially owns the entire issued share capital of Gold Sparkle Limited (“**Gold Sparkle**”), which in turn owns 13,050,720 Shares. By virtue of the SFO, Mr. Chan is deemed to be interested in the Shares held by Gold Sparkle.
- Mr. Chan is the spouse of Ms. Man. By virtue of the SFO, Mr. Chan is deemed to be interested in the Shares held by Ms. Man.
- Ms. Man beneficially owns 50% of the issued share capital of Joint Partners, which in turn wholly owns the entire issued capital of PuraPharm Corp. Purapharm Corp owns 51,566,500 Shares. By virtue of the SFO, Ms. Man is deemed to be interested in the Shares held by PuraPharm Corp.
- Ms. Man is the spouse of Mr. Chan. By virtue of the SFO, Ms. Man is deemed to be interested in the Shares held by Mr. Chan.
- Mr. Chan Kin Man, Eddie (“**Mr. Eddie Chan**”) wholly owns the entire issued share capital of Best Revenue Investments Limited (“**Best Revenue**”) and K.M. Chan & Co. Limited (“**KM Chan**”), which in turn owns 1,562,500 Shares and 1,562,500 Shares, respectively. By virtue of the SFO, Mr. Eddie Chan is deemed to be interested in the Shares held by Best Revenue and KM Chan.
- These shares represent Shares granted to such directors pursuant to the Share Award Scheme, which are held on trust by the Share Award Scheme trust until the Shares are vested.

### Substantial Shareholders' Interests and/or Short Position in Shares and Underlying Shares of the Company

As at the Latest Practicable Date, so far as was known to the Directors, the following entity (not being the Director or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company, its Group members and/or associated corporations which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Nature of Interest	Total number of shares held (Long position)	Approximate percentage of shareholding
Purapharm Corp	Beneficial ownership	51,566,500	20.82%
Joint Partners	Interest of controlled corporations ( <i>Note</i> )	51,566,500	20.82%
Fullgold Development	Beneficial ownership	62,286,000	25.14%
Gold Sparkle	Beneficial ownership	13,050,720	5.27%

*Note:* PuraPharm Corp is wholly owned by Joint Partners. By virtue of the SFO, Joint Partners is deemed to be interested in the Shares held by PuraPharm Corp.

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

### 4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors or their respective close associates had any interests in any business which compete or are likely to compete with the business of the Group.

### 5. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2018 (being the date to which the latest published audited consolidated accounts of the Company were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

## 6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, other than those disclosed in the profit warning announcement of the Company dated 19 July 2019, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December, 2018, being the date to which the latest audited consolidated financial statements of the Group were made up.

## 7. QUALIFICATIONS AND CONSENT OF EXPERT

The following is the qualifications of the expert who has given opinion or advice which are contained in this circular:

<b>Names</b>	<b>Qualifications</b>
Altus Capital Limited	a licensed corporation to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

Altus Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report (as the case may be) and references to its name, in the form and context in which they appear.

As at the Latest Practicable Date, Altus Capital Limited:

- (a) was not beneficially interested in the share capital of any member of the Group;
- (b) did not have any direct or indirect shareholding in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and
- (c) did not have any direct or indirect interest in any assets which have been since 31 December 2018 (the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

## 8. MISCELLANEOUS

This circular is prepared in both English and Chinese. In the event of any inconsistency, the English version shall prevail over the Chinese version of this circular.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Suite 4002, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours from the date of this circular up to and including the date of the EGM:

- (a) the Loan Capitalisation Agreement;
- (b) the letter from the Board, the text of which is set out on pages 4 to 14 of this circular;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 15 to 16 of this circular;
- (d) the letter from the Independent Financial Adviser, the text of which is set out on pages 17 to 31 of this circular;
- (e) the written consent of the expert referred to in the paragraph headed “Qualification and Consent of Expert” in this appendix; and
- (f) this circular.



PuraPharm

**PURAPHARM CORPORATION LIMITED**

**培力控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1498)**

## **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Purapharm Corporation Limited (the “**Company**”) will be held at Boardroom 6, M/F, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 8 August 2019 at 2:30 p.m. to consider, and if thought fit, pass the following resolutions each as an ordinary resolution of the Company. The capitalised terms defined in the circular dated 24 July 2019 issued by the Company (the “**Circular**”) of which this notice forms part shall have the same meanings when used herein unless otherwise specified.

### **ORDINARY RESOLUTIONS**

1. “**THAT**

the Loan Capitalisation Agreement (a copy of which has been produced to the meeting and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, confirmed and ratified.”

2. “**THAT**

the grant of the Specific Mandate for the allotment and issue of the 15,544,041 Capitalisation Shares at the Issue Price of HK\$1.93 per Capitalisation Shares to Mr. Chan, subject to the terms and conditions set out in the Circular be and is hereby approved, confirmed and ratified.”

## NOTICE OF EGM

### 3. “THAT

any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Loan Capitalisation Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon.”

By Order of the Board  
**Purapharm Corporation Limited**  
**Chan Yu Ling, Abraham**  
*Chairman and Executive Director*

Hong Kong, 24 July 2019

*Registered Office:*

Offshore Incorporations (Cayman) Limited  
P.O. Box 31119  
Grand Pavilion  
Hibiscus Way  
802 West Bay Road  
Grand Cayman KY1-1205  
Cayman Islands

*Headquarter and principal place of*

*business in Hong Kong:*  
Suite 4002, Jardine House  
1 Connaught Place, Central  
Hong Kong

*Notes:*

1. A member of the Company entitled to attend and vote at the EGM shall be entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares of the Company may appoint more than one proxy. A proxy need not be a member of the Company. Completion and return of the form of proxy will not preclude a member of the Company from attending the EGM and voting in person should he so wish. In such event, his form of proxy will be deemed to be revoked.
2. A form of proxy for the EGM is enclosed. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, shall be deposited at the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting (i.e. not later than 2:30 p.m. on Tuesday, 6 August 2019).



## NOTICE OF EGM

3. Where there are joint registered holders of any share of the Company, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
4. To ascertain the members' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 5 August 2019 to Thursday, 8 August 2019 (both dates inclusive), during which period no transfer of shares of the Company can be registered. In order to be eligible to attend and vote at the meeting, all completed share transfer instruments, accompanied by the relevant share certificates, shall be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 2 August 2019.
5. Members of the Company or their proxies shall produce documents of their proof of identity when attending the EGM.
6. If typhoon signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will post an announcement on the website of Company and on the HKExnews website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) to notify shareholders of the Company of the date, time and place of the rescheduled meeting.

*As at the date of this notice, the executive Directors of the Company are Mr. Chan Yu Ling, Abraham, Dr. Tsoi Kam Biu, Alvin, Mr. Chan Kin Man, Eddie, and Ms. Man Yee Wai, Viola; the non-executive Director of the Company is Mr. Chow, Stanley; 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.*