

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement appears for information purpose only and does not constitute an invitation or offer to acquire, purchase, or subscribe for securities of the Company.



PuraPharm

PURAPHARM CORPORATION LIMITED

培力控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1498)

PROPOSED RIGHTS ISSUE

on the basis of

One (1) Rights Share for every two (2) existing Shares

held on the Record Date at the Subscription Price of HK\$0.80 per Rights Share and

RESUMPTION OF TRADING

Underwriter to the Rights Issue

RaffAello

Securities (HK) Ltd

Raffaello Securities (HK) Ltd.

PROPOSED RIGHTS ISSUE

The Company proposes to raise about HK\$105 million before expenses by issuing 131,630,980 new Shares by way of rights at a price of HK\$0.80 per Rights Share.

The Company will provisionally allot one (1) Rights Share for every two (2) Shares held by Qualifying Shareholders on the Record Date.

The Rights Issue is not available to Overseas Shareholders.

IRREVOCABLE UNDERTAKINGS AND UNDERWRITING AGREEMENT

As at the date of this announcement, the Controlling Shareholders (namely, Mr. Chan, Fullgold, Gold Sparkle and Purapharm BVI) are beneficially interested in a total of 145,534,761 Shares (being in total about 55.28% of the issued share capital of the Company). Pursuant to the Irrevocable Undertakings, each of the Controlling Shareholders has severally and irrevocably undertaken to not dispose of any Shares held by them up to the Record Date or until the lapse of the Rights Issue, and to subscribe for their proportionate entitlements under the Rights Issue (in total being 72,767,380 Rights Shares). The rest of the 58,863,600 Rights Shares are fully underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement.

The Rights Issue is conditional. In particular, it is subject to the Underwriting Agreement becoming unconditional and the Underwriter not terminating the Underwriting Agreement.

The Underwriting Agreement contains detailed conditions and events which may cause the Underwriting Agreement to be terminated by the Underwriter. Please refer to the section headed “Underwriting Arrangement” in this announcement for details of the conditions and grounds of termination of the Underwriting Agreement. If the Underwriting Agreement does not become unconditional or is terminated, the Rights Issue will not proceed.

PROSPECTUS DOCUMENTS

The Company will send the Prospectus Documents to all Qualifying Shareholders on or about Friday, 7 February 2020. **The last day for acceptance of provisional allotments is expected to be Friday, 21 February 2020.**

LISTING RULES IMPLICATION

As the Rights Issue will increase the issued share capital and the market capitalisation of the Company by not more than 50% within the 12-month period immediately preceding the date of this announcement, the Rights Issue is not conditional on approval by the Shareholders pursuant to Rule 7.19(6) of the Listing Rules.

WARNING ON THE RISKS OF DEALING IN SHARES AND NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with its terms. It should also be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate its obligations on the occurrence of certain events including force majeure. Please refer to the section headed “The Underwriting Agreement — Termination of the Underwriting Agreement” in this announcement for further details. Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Wednesday, 29 January 2020. Dealings in the Rights Shares in nil-paid form are expected to take place from Tuesday, 11 February 2020 to Tuesday, 18 February 2020 (both dates inclusive).

Any Shareholder or potential investors who is in any doubt about his position or any action to be taken is recommended to consult his own professional adviser(s). Any Shareholder or other person dealing in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled (which is expected to be on Monday, 24 February 2020), and any dealings in the Rights Shares in their nil-paid form from Tuesday, 11 February 2020 to Tuesday, 18 February 2020 (both days inclusive) will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

POSSIBLE ADJUSTMENT TO THE SHARE OPTIONS

As a result of the Rights Issue, it is expected that the exercise prices, and/or the number of Shares, of the outstanding Share Options will be adjusted in accordance with the terms and conditions of the Share Option Scheme. The Company will engage the Company's auditors to review and determine the relevant adjustments and make further announcements on the appropriate adjustments and the date they are expected to take effect in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 31 January 2020 to Thursday, 6 February 2020 (both dates inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during this period. To qualify for the Rights Issue, any transfers of Shares must be lodged for registration by **4:30 p.m. on Thursday, 30 January 2020.**

GENERAL

The Prospectus Documents containing, among other things, the Prospectus setting out details of the Rights Issue, the PAL and the EAF will be despatched to the Qualifying Shareholders on Friday, 7 February 2020. A copy of the Prospectus will also be made available on the websites of the Company (www.purapharm.com) and the Stock Exchange (www.hkexnews.hk). Subject to the advice of the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable, the Company will send copies of the Prospectus to the Non-Qualifying Shareholders (if any) for their information only, but will not send any PAL or EAF to them.

RIGHTS ISSUE

Share capital and basis of Rights Issue

As at the date of this announcement, the Company's authorised share capital is US\$5,000,000,000 (HK\$38,750,000,000) divided into 50,000,000,000 Shares. Of these, 263,261,961 Shares have been issued and are fully paid or credited as fully paid. The Company also has 6,376,000 Share Options outstanding to subscribe for Shares at the price of HK\$2.4 per Share Option (subject to adjustments). However, none of the Share Options are exercisable until after the Record Date. No new Shares will therefore be issued under the Share Options, and accordingly, assuming there is no change in the issued share capital of the Company from the date of this announcement up to the Record Date, 131,630,980 Rights Shares will be provisionally allotted under the Rights Issue.

Apart from the Share Options, the Company has no outstanding convertible bonds, options, derivatives, warrants, conversion rights or other similar rights entitling holders thereof to subscribe for or convert into or exchange for new Shares as at the date of this announcement.

The Underwriter has agreed to underwrite all the Rights Shares which will be provisionally allotted under the Rights Issue (other than the Excluded Rights Shares), subject to the terms and conditions set out in the Underwriting Agreement.

Qualifying Shareholders

The Rights Issue will only be available to the Qualifying Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders but will only send the Prospectus (without the PAL and the EAF), for information purposes only, to the Non-qualifying Shareholder(s). To qualify for the Rights Issue, a Shareholder must:

- be registered as a member of the Company on the Record Date; and
- have an address in Hong Kong as his address on the register of members of the Company on the Record Date.

In order to be registered as a member on the Record Date, Shareholders must lodge any transfers of Shares (with the relevant share certificates) with the Registrar by **4:30 p.m. on Thursday, 30 January 2020**.

The Registrar is:

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

The register of members of the Company will be closed from Friday, 31 January 2020 to Thursday, 6 February 2020 (both dates inclusive). No transfer of Shares will be registered during this period.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

Subscription price

HK\$0.80 per Rights Share, payable in full when a Qualifying Shareholder accepts their provisional allotment and, where applicable, application for excess Rights Shares, under the Rights Issue or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 37.5% to the closing price of HK\$1.28 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 37.9% to the average of the closing prices of approximately HK\$1.29 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive full trading days up to and including the Last Trading Day;
- (c) a discount of approximately 28.6% to the theoretical ex-rights price of approximately HK\$1.12 per Share based on the closing price of HK\$1.28 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (d) a discount of approximately 29.0% to the theoretical ex-rights price of approximately HK\$1.13 per Share based on the five (5) consecutive full trading days up to and including the Last Trading Day;
- (e) a discount of approximately 61.6% to the unaudited consolidated net asset value per Share as at 30 June 2019 of approximately HK\$2.08 (which is calculated based on the unaudited consolidated net asset value of the Group attributable to the owners of the Company as at 30 June 2019 of approximately HK\$516,051,000 and 247,717,920 Shares in issue as at 30 June 2019).

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to (a) the market price of the Shares prior to the Last Trading Day; (b) the capital needs and financial position of the Company; and (c) the prevailing market conditions of the capital market in Hong Kong. The Board considers the terms of the Rights Issue, including the Subscription Price which has been set at a reasonable discount to the recent closing prices of the Shares with an objective of encouraging existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company in the future, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole. The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK\$0.75 per Rights Share.

Basis of provisional allotments

One (1) Rights Share for every two (2) Shares held by Qualifying Shareholders.

Status of the Rights Shares

When allotted and fully paid, each Rights Share will have a nominal value of US\$0.1 (HK\$0.775). The Rights Shares will rank equally with the then existing Shares. Holders of fully paid Rights Shares will receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the Rights Shares.

Stamp duty and other applicable fees

Dealings in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the Registrar will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on Monday, 2 March 2020 by ordinary post to the persons entitled thereto, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for the excess Rights Shares (if any) are expected to be posted on Monday, 2 March 2020 by ordinary post to the applicants, at their own risk, to their registered addresses.

Rights of Overseas Shareholders

Overseas Shareholders on the Record Date may not be eligible to take part in the Rights Issue as explained below.

The Prospectus will not be registered or filed under the securities legislation of any jurisdiction other than Hong Kong. The Company will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholders (if any). If based on advice provided by the legal adviser(s) to the Company, the Board considers that it is necessary or expedient on account either of the legal restrictions under the laws of the relevant place of registered address or the requirements of the relevant overseas regulatory body or stock exchange in that place not to offer the Rights Shares to such Overseas Shareholders, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. If any Overseas Shareholders are excluded from the Rights Issue, subject to the advice of the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable, the Company will send copies of the Prospectus to such Non-Qualifying Shareholders for their information only, but will not send any PAL or EAF to them. The results of the enquiries and the basis for excluding the Non-Qualifying Shareholders, if any, from the Rights Issue, will be set out in the Prospectus to be issued.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence on the Stock Exchange and in any event before the last day of dealing in the nil-paid Rights Shares, if a premium (net of expenses) can be obtained. The net proceeds of such sale, less expenses, will be paid pro rata to the Non-Qualifying Shareholders in Hong Kong dollars as

soon as practicable except that the Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlements of the Non-Qualifying Shareholders will be made available for excess application on EAFs by the Qualifying Shareholders.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue subject to the results of the enquiries made by the Board pursuant to Rule 13.36(2)(a) of the Listing Rules. The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution and consult their professional advisers when dealing in the Shares.

Fractions of Rights Shares

The Company will not allot any fractions of Right Shares. Any fractional entitlements to Rights Shares will be aggregated (and rounded down to the nearest whole number) and will be made available for excess application by Qualifying Shareholders, and the Company will keep the proceeds.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for (a) any unsold entitlements of the Non-Qualifying Shareholders; (b) any unsold Rights Shares created by adding together fraction of Rights Shares; and (c) any Rights Shares provisionally allotted by not accepted.

Application is made by completing on EAF and paying for them in accordance with the instructions printed on the form of application which will accompany the Prospectus. Subject to the requirements of Rule 7.21(3)(b) of the Listing Rules, the Board will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable basis, as far as practicable on a pro-rata basis by reference to the number of the excess Rights Shares applied for under each application. However, no preference will be given to topping-up odd lots to whole board lots.

Shareholders with their Shares held by a nominee (or which are held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually.

Shareholders with Shares held by a nominee (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of their relevant Shares under the names of the beneficial owners prior to the Record Date for the purpose of the Rights Issue. Shareholders and investors should consult their professional advisers if they are in doubt as to their status.

For investors whose Shares are held by a nominee (or CCASS) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar, Computershare Hong Kong Investor Services Limited (at the address stated in this announcement) for registration no later than 4:30 p.m. on Friday, 10 January 2020.

Any Rights Shares not taken up by the Qualifying Shareholders and not taken up by excess applications will be taken up by the Underwriter pursuant to the terms and conditions of the Underwriting Agreement.

Taxation

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the Rights Shares and, regarding the Excluded Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Rights Shares in both nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue.

Subject to the granting of the approval for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from their respective commencement dates of dealings on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Both the nil-paid Rights Shares and the fully-paid Rights Shares will be traded in board lots of 500 Shares. Dealings in the Rights Shares in both their nil-paid and fully-paid forms, which are registered in the register of members of the Company, will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy or any other applicable fees and charges in Hong Kong.

Conditions of the Rights Issue

The Rights Issue is conditional upon the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms. **The Underwriting Agreement contains detailed conditions and events which may cause the Underwriting Agreement to be terminated by the Underwriter. Please refer to the section headed “The Underwriting**

Agreement” in this announcement for details of the conditions and grounds of termination of the Underwriting Agreement. If the Underwriting Agreement is terminated, the Rights Issue will not proceed.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 31 January 2020 to Thursday, 6 February 2020 (both dates inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

IRREVOCABLE UNDERTAKINGS

As at the date of this announcement, the Controlling Shareholders are beneficially interested in a total of 145,534,761 Shares (being in total about 55.28% of the issued share capital of the Company) in the following proportion:

Controlling Shareholder	As at the date of this announcement		Expected number of Rights Shares to be provisionally allotted
	Number of Shares held	Approximate percentage of issued capital of the Company	
Mr. Chan	18,631,541	7.08%	9,315,770 ^(Note 1)
Fullgold ^(Note 2)	62,286,000	23.66%	31,143,000
Gold Sparkle ^(Note 2)	13,050,720	4.96%	6,525,360
Purapharm BVI ^(Note 2)	51,566,500	19.59%	25,783,250
	<u>145,534,761</u>	<u>55.28%</u>	<u>72,767,380</u>

Notes:

1. Fraction of Rights Share not issued.
2. Fullgold and Gold Sparkle are 100% controlled by Mr. Chan, whereas Purapharm BVI is indirectly controlled by Mr. Chan as to 50% and by Mr. Chan’s spouse, Ms. Man Yee Wai Viola, as to the other 50%.

Each of the Controlling Shareholders has executed an Irrevocable Undertaking in favour of the Company, pursuant to which the Controlling Shareholders have severally provided irrevocable and unconditional undertakings to the Company, among other things, (a) not to sell, transfer or otherwise dispose of any Shares held by them in any manner before the completion or lapse of the Rights Issue and remain as the beneficial owners of the Shares comprising their current shareholdings in the Company up to the Record Date; and (b) to subscribe for their respective entitlements of Rights Shares to be provisionally allotted to each of them (in aggregate 72,767,380 Rights Shares) as set out in the table above in this section of the announcement.

UNDERWRITING ARRANGEMENT

Underwriting Agreement

Date: 31 December 2019

Underwriter: Raffaello Securities (HK) Ltd. The Underwriter satisfies the requirements of Rule 7.19(1)(a) of the Listing Rules. It is a licensed corporation carrying out type 1 (dealing in securities) regulated activities under the Securities and Futures Ordinance (Cap. 571) and its ordinary course of business includes underwriting of securities.

As at the date of this announcement, the Underwriter does not hold any Shares. The Underwriter and its ultimate beneficial owners are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, a third party independent of and not connected with the Company and its connected persons.

Number of Shares underwritten: all the Rights Shares, less the Excluded Rights Shares, being 58,863,600

Commission: 5.5 per cent. of the total subscription price of the Rights Shares

The terms of the Underwriting Agreement (including the underwriting commission) were determined after arm's length negotiation between the Company and the Underwriter.

The Board considers the entering into of the Underwriting Agreement with the Underwriter and the terms of the Underwriting Agreement (including the underwriting commission) to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Conditions of the Underwriting Agreement

The obligations of the Underwriter as specified under the Underwriting Agreement are conditional upon the following conditions being fulfilled:

- the delivery by or on behalf of the Company no later than the Posting Date of one copy of each of the Prospectus Documents together with any requisite accompanying documents, to the Stock Exchange and the Registrar of Companies in Hong Kong for filing and registration in accordance with the provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32);
- the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Rights Share in their nil-paid and fully-paid forms;
- the posting of the Prospectus Documents to Qualifying Shareholders on the Posting Date;

- compliance with and performance by the Controlling Shareholders of all their respective obligations and undertakings under the Irrevocable Undertakings; and
- the obligations of the Underwriter under the Underwriting Agreement not being terminated in accordance with its terms.

These conditions precedent are not capable of being waived by either the Company or the Underwriter. If any of these conditions precedent is not satisfied in whole or in part at the respective time and dates specified (or such other time as the Underwriter may agree with the Company (as permitted under the relevant legal and regulatory requirements)), the Underwriting Agreement shall terminate and no party will have any claim against the other party for costs, damages, compensations or otherwise (save for any rights or obligations which have accrued under the Underwriting Agreement prior to such termination), and the Rights Issue will not proceed. The Irrevocable Undertakings given by the Controlling Shareholders will then lapse upon the termination of the Underwriting Agreement.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination, there occurs:

- a. the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) which may, in the reasonable opinion of the Underwriter, will or is likely to materially and adversely affect the business, financial or trading position or prospects of the Group as a whole, or materially and adversely prejudices the success or makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- b. the occurrence, happening, coming into effect or becoming public knowledge of (i) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; (ii) a suspension or a material limitation in trading in securities generally on the Stock Exchange; (iii) a suspension or a material limitation in trading in the Company's securities on the Stock Exchange for more than five Business Days (other than pending publication of the announcement or any other document relating to the Rights Issue); (iv) a general moratorium on commercial banking activities in Hong Kong declared by the relevant authority or a material disruption in commercial banking or securities settlement or clearance services in Hong Kong; or (v) a change or development involving a prospective change in taxation affecting the Company, the Shares or the transfer thereof which may, in the reasonable opinion of the Underwriter, will or is likely to materially and adversely affect the business, financial or trading position or prospects of the Group as a whole, or materially and adversely prejudices the success or makes it inexpedient or inadvisable to proceed with the Rights Issue; or

- c. any change in the circumstances of the Company or any member of the Group occurs which in the absolute opinion of the Underwriter will materially and adversely affect the prospects of the Company, including without limiting the generality of the foregoing, the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any member of the Group or the destruction of any material asset of the Group; or
- d. any event of force majeure occurs, including without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, outbreak of an infectious disease, epidemic, terrorism, armed conflict, strike or lock-out; or
- e. the commencement by any third party of any litigation or claim against any member of the Group after the signing of the Underwriting Agreement which, in the reasonable opinion of the Underwriter, is or might be material to the Group taken as a whole; or
- f. any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole occurs, whether or not ejusdem generis with any of the foregoing;

the Underwriter shall be entitled (but not bound) by notice in writing issued by it to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement and rescind the Underwriting Agreement.

If, at or prior to the Latest Time for Termination:

- a. the Company commits any material breach of or omits to materially observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Underwriting Agreement, where, in the reasonable opinion of the Underwriter, such breach or omission will or is likely to have a material and adverse effect on its business, financial or trading prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or
- b. the Underwriter shall receive notification pursuant to the Underwriting Agreement, or shall otherwise become aware of, the fact that any of the representations, warranties or undertakings contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter shall, in its reasonable discretion, determine that any such untrue representation, warranty or undertaking represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or
- c. the Company's application to the Listing Committee of the Stock Exchange for the permission for the listing of, and permission to in, the Rights Shares (in their nil-paid and fully-paid forms) on the Stock Exchange is withdrawn by the Company and/or refused or revoked by the Stock Exchange; or

- d. any condition to enable the Rights Shares (in their nil-paid and fully-paid forms) to be admitted as eligible securities for deposit, clearance and settlement in CCASS is not satisfied or notification is received by the Company from HKSCC that such admission or facility for holding and settlement has been or is to be refused; or
- e. any statement contained in the announcement or any Prospectus Document has been shown to be untrue, inaccurate, incomplete in any material respect or misleading with reference to the date on which such statement was made; or
- f. the Company shall, after any matter or event referred to in paragraph (b) above has occurred or come to the Underwriter's attention, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company,

the Underwriter shall be entitled (but not bound) by notice in writing issued by it to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement and rescind the Underwriting Agreement.

If the Underwriting Agreement is terminated, the Rights Issue will not proceed.

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

Shares will be dealt in on an ex-rights basis from Wednesday, 29 January 2020. The Rights Shares are expected to be dealt in their nil-paid form from Tuesday, 11 February 2020 to Tuesday, 18 February 2020 (both dates inclusive). If the Underwriter terminates the Underwriting Agreement, or the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed.

Any buying or selling of Shares from now up to the date on which all such conditions are fulfilled, and any buying or selling of nil-paid Right Shares between Tuesday, 11 February 2020 to Tuesday, 18 February 2020 (both dates inclusive), is at investors' own risk.

Investors may want to seek professional advice about this.

ODD LOT ARRANGEMENT

In order to facilitate the trading of odd lots of the Shares arising from the Rights Issue, a designated broker will be appointed to match the purchase and sale of odd lots of the Shares at the relevant market price per Share for the period from Tuesday, 3 March 2020 to Monday, 23 March 2020 (both days inclusive). Holders of odd lots of the Shares should note that successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his own professional advisers. Details of the odd lot arrangement will be provided in the Prospectus.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purpose only, set out below is the shareholding structure of the Company (a) as at the date of this announcement; and (b) immediately after completion of the Rights Issue assuming there is no change in the number of the issued shares of the Company from the date of this announcement up to the Record Date:

	As at the date of this announcement		Immediately after completion of the Rights Issue			
			Assuming all Shareholders have taken up the Rights Shares		Assuming no Shareholder (other than the Controlling Shareholders) takes up the Rights Shares and the Underwriter fully takes up all the Underwritten Shares	
	Number of Shares	Approximate percentage (note 1)	Number of Shares	Approximate percentage (note 1)	Number of Shares	Approximate percentage (note 1)
Controlling Shareholders						
Mr. Chan	18,631,541	7.08%	27,947,311	7.08%	27,947,311	7.08%
Fullgold	62,286,000	23.66%	93,429,000	23.66%	93,429,000	23.66%
Gold Sparkle	13,050,720	4.96%	19,576,080	4.96%	19,576,080	4.96%
Purapharm BVI	51,566,500	19.59%	77,349,750	19.59%	77,349,750	19.59%
Other non-public Shareholders						
Other directors of the Company (note 2)	3,325,000	1.26%	4,987,500	1.26%	3,325,000	0.84%
Share Award Scheme	2,206,000	0.84%	3,309,000	0.84%	2,206,000	0.56%
Public Shareholders						
Existing public shareholders	112,196,200	42.62%	168,294,300 (note 3)	42.62%	112,196,200	28.41%
Underwriter (note 4)	0	0%	0	0%	58,863,600	14.91%
TOTAL	<u>263,261,961</u>	<u>100.00%</u>	<u>394,892,941</u>	<u>100.00%</u>	<u>394,892,941</u>	<u>100.00%</u>

Notes:

1. The percentages may not add up to subtotal or total due to rounding.
2. This includes companies controlled by Chan Kin Man, Eddie (a Director of the Company), namely Best Revenue Investment Limited and K.M. Chan & Co. Limited.
3. Assuming no Non-qualifying Shareholders.
4. Assuming no application for excess Rights Shares.

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activities during the 12 months immediately preceding the date of this announcement.

EXPECTED TIMETABLE

The following is the expected timetable for the Rights Issue:

2020

● Last day of dealing in Shares on cum-rights basis	Friday, 24 January
● First day of dealing in Shares on ex-rights basis	Wednesday, 29 January
● Latest time and day for Shareholders to lodge transfers of Shares in order to qualify for the Rights Issue	4:30 p.m. on Thursday, 30 January
● Register of members closed	Friday, 31 January to Thursday, 6 February (both days inclusive)
● Record Date	Thursday, 6 February
● Posting Date for Prospectus Documents	Friday, 7 February
● First time and day of dealing in nil-paid Rights Shares	9:00 a.m. on Tuesday, 11 February
● Latest time and day for splitting nil-paid Rights Shares	4:30 p.m. on Thursday, 13 February
● Latest time and day for dealing in nil-paid Rights Shares	4:10 p.m. on Tuesday, 18 February
● Latest Time for Acceptance (for acceptance of Rights Shares as well as latest time for application for excess Rights Shares and payment for the Rights Issue)	4:00 p.m. on Friday, 21 February
● Latest Time for Termination (of the Underwriting Agreement by the Underwriter) and the Rights Issue becoming unconditional	4:00 p.m. on Monday, 24 February
● Announcement of results of the Rights Issue	Friday, 28 February
● Refund cheques for wholly or partially unsuccessful applications for excess Rights Shares (if any) to be sent	Monday, 2 March
● Certificates for fully-paid Rights Shares to be sent	Monday, 2 March
● Expected date of first dealing fully-paid Rights Shares	9:00 a.m. on Tuesday, 3 March
● Designated broker starts to stand in the market to provide matching services for sale and purchase of odd lots of Shares	Tuesday, 3 March
● Designated broker ceases to stand in the market to provide matching services for sale and purchase of odd lots of Shares	Monday, 23 March

Note: All times and dates stated above refer to Hong Kong times and dates.

Dates stated in this announcement for event mentioned in the timetable are indicative only and may be extended or varied. Any changes to the above expected timetable will be announced as and when appropriate in accordance with the Listing Rule.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Company is an investment holding company, with its subsidiaries engaged principally 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.

The Board considers that the Rights Issue, which is on a fully underwritten basis, will allow the Group to strengthen its capital structure without incurring debt financing cost, improve the financial position and provide additional financial resources for capturing suitable business expansion and investment opportunities when they arise. Meanwhile, the Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro rata shareholding interests in the Company and to continue to participate in the future development of the Group. The Qualifying Shareholders are also able to further increase their interests in the Company through excess applications. Accordingly, the Board considers that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

The gross proceeds and net proceeds from the Rights Issue will be approximately HK\$105 million and HK\$98.5 million respectively (assuming no further issue or repurchase of Shares on or before the Record Date). The Company intends to use the net proceeds of the Rights Issue for the repayment of bank and other borrowings and general working capital of the Group.

ADJUSTMENTS IN RELATION TO THE SHARE OPTIONS

The Company has issued Share Options to subscribe for up to an aggregate of 6,376,000 Shares at a subscription price of HK\$2.4 per Share (both number and subscription price subject to adjustments). However, none of the Share Options are exercisable until after the Record Date.

Pursuant to the terms of the Share Option Scheme, the issuance of the Rights Shares under the Rights Issue may cause an adjustment to each of the exercise prices and the number of Shares to be issued pursuant to the Share Options. The Company will instruct its auditors to review and certify the basis of adjustments (if any) as soon as possible.

EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The Latest Time for Acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if:

- typhoon signal No. 8 (or above);
- “extreme conditions” caused by super typhoons as announced by the Government of Hong Kong; or
- a “black” rainstorm warning

- (a) is/are in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
- (b) is/are in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on the currently scheduled date, the dates mentioned in the “EXPECTED TIMETABLE” above may be affected. Announcement will be made by the Company in such event.

LISTING RULES IMPLICATIONS

As the Rights Issue will increase the issued share capital and the market capitalisation of the Company by not more than 50% within the 12-month period immediately preceding the date of this announcement, the Rights Issue is not conditional on approval by the Shareholders pursuant to Rule 7.19(6) of the Listing Rules.

GENERAL

The Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders. The Company will despatch copies of the Prospectus to the Excluded Shareholders for their information only but the Company will not send PALs nor EAFs to the Excluded Shareholders.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares were suspended from 9:00 a.m. on 2 January 2020 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the securities of the Company with effect from 1:00 p.m. on 3 January 2020.

DEFINITIONS USED

“Board”	Board of directors of the Company
a “Business Day”	a day (other than Saturday, Sunday, public holiday or any day on which tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours

“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Company”	Purapharm Corporation Limited 培力控股有限公司, incorporated in the Cayman Islands
“Controlling Shareholders”	Mr. Chan and companies controlled by him (namely Purapharm BVI, Fullgold and Gold Sparkle)
“EAF(s)”	excess application form(s) to be issued to the Qualifying Shareholder(s) in connection with the Rights Issue
“Excluded Rights Shares”	72,767,380 Rights Shares that the Controlling Shareholders would be entitled to subscribe for pursuant to the terms of the Rights Issue in their capacity as Qualifying Shareholders
“Fullgold”	Fullgold Development Limited, incorporated in the British Virgin Islands, a Controlling Shareholder of the Company
“Gold Sparkle”	Gold Sparkle Limited, incorporated in the British Virgin Islands, a Controlling Shareholder of the Company
“Group”	Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars
“Irrevocable Undertaking(s)”	irrevocable undertaking(s), referred to in the section headed “Irrevocable Undertakings”, dated 31 December 2019 and executed by each of the Controlling Shareholders in favour of the Company and the Underwriter
“Last Trading Day”	Monday, 30 December 2019, being the last full trading day of the Shares on the Stock Exchange before the release of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Friday, 21 February 2020 or other time or date as may be agreed in writing between the Company and the Underwriter, being the latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares
“Latest Time for Termination”	4:00 p.m. on Monday, 24 February 2020, being the next Business Day after the Latest Time for Acceptance, or such other time or date as may be agreed in writing between the Company and the Underwriter

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chan”	Mr. Chan Yu Ling, Abraham, a director and Chairman of the Company, a Controlling Shareholder of the Company
“Non-qualifying Shareholder(s)”	Overseas Shareholder(s) whom the Board, based on the enquiry made or legal advice obtained, consider it necessary or expedient not to offer the Rights Shares to such Overseas Shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose registered address(es) on that date is/are outside Hong Kong
“Posting Date”	Friday, 7 February 2020
“Prospectus”	prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	Prospectus, the PALs and the EAFs
“Purapharm BVI”	Purapharm Corporation Limited, incorporated in the British Virgin Islands, a Controlling Shareholder of the Company
“Qualifying Shareholder(s)”	Shareholder(s), other than the Overseas Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Thursday, 6 February 2020
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, being Computershare Hong Kong Investor Services Limited
“Rights Issue”	the issue of the Rights Shares at the Subscription Price per Rights Share
“Rights Shares”	131,630,980 new Shares to be issued under the Rights Issue
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	share(s) of US\$0.1 (HK\$0.775) each in the capital of the Company
“Share Award Scheme”	the share award scheme adopted by the Company on 22 February 2016, further particulars of which can be found in the Company’s announcement dated 22 February 2016

“Share Option(s)”	option(s) to subscribe for Share(s) granted by the Company under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 12 June 2015
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.80
“Underwriter”	Raffaello Securities (HK) Ltd., a licensed corporation to carry out type 1 (dealing in securities) and type 4 (advising on corporate finance) regulated activities
“Underwriting Agreement”	the underwriting agreement dated 31 December 2019 and entered into between the Company and the Underwriter in relation to the Rights Issue after trading hours
“US\$”	United States dollars which, for the purpose of this announcement, is calculated at the rate of US\$1 = HK\$7.75

By order of the Board
Chan Yu Ling, Abraham
Chairman

Hong Kong, 3 January 2020

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 Kin Man, Eddie, and Ms. Man Yee Wai, Viola; 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.

This announcement, for which the Board 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 Company. The Board, having made all reasonable enquiries, confirm that, to the best of its knowledge and belief, the information contained in this announcement 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 announcement misleading.