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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)

PROFIT WARNING

This announcement is made by PuraPharm Corporation Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company (“**Shareholders**”) and potential investors that, based on the preliminary review of the unaudited consolidated management accounts of the Group for the year ended 31 December 2019 (“**FY2019**”) and other information currently available to the Board, it is expected that the Group will record a net loss of not less than HK\$140 million for FY2019, as compared to the audited consolidated net profit recorded in the year ended 31 December 2018 of approximately HK\$20.8 million.

Based on the information currently available, the Board believes that the expected net loss in FY2019 was mainly attributable to, among other things, the following items:

- (i) The Hong Kong clinics operation would pose a substantial loss for the whole year due to the social unrest in 2019 in Hong Kong. The number of patient visiting the Group’s clinics was substantially reduced;
- (ii) The Group’s Chinese healthcare products business in Hong Kong experienced a decline of the sales and profitability due to the difficult retail market and sluggish consumption sentiment;
- (iii) The structural revamp in pricing and strategy of the China CCMG business carried out in the beginning of 2019 have resulted in losing some of the unprofitable distributors and caused a temporary loss of sales. The performance of the Group’s China CCMG business has improved in the second half of FY2019, but the overall sales was lower than last year; and

- (iv) The Group's plantation segment is expected to record a loss during FY2019, due to the keen competition and low profit margin in raw herbs trading. Also, the Group's recorded a significant fair value gain on biological assets related to the plantation segment in last year, the Group expected the fair value on biological assets will turn to a loss in FY2019.

In addition, having considered the extremely difficult operating environment in Hong Kong in recent months, and the financial performance of the Group, the Group has further made certain one-off accounting provisions and write-offs of not less than HK\$70 million including the following items, which also attributed to the expected loss during the year:

- (a) impairment loss in respect of property, plant and equipment and right-of-use assets for those loss-making clinics in Hong Kong and China. The Group will further optimise the clinic network in Hong Kong and enhance its profitability by closing those clinics located in unfavourable locations;
- (b) derecognised deferred tax assets in respect of the tax losses arising from the Group's clinic and Chinese healthcare products business in Hong Kong; and
- (c) goodwill impairment in respect of the Group's plantation segment.

The Board stresses that the above contemplated accounting provisions are one-off and non-cash in nature, and are the necessary steps to put the Group's finances at a footing from which notable improvements would be possible in the future. The said provisions would have no impact on the Group's cash flow or business and production operations.

The Company is still in the process of finalising the annual results of the Group for FY2019. The information contained in this announcement is only based on the preliminary assessment by the Board with reference to the information currently available, including the unaudited consolidated management accounts of the Group, which are yet to be finalised and have not been reviewed or audited by the Company's auditor or the audit committee of the Company and are subject to adjustment. The actual annual results of the Group for FY2019 may be different from what is disclosed in this announcement. Shareholders and potential investors are advised to read carefully the annual results announcement of the Company for FY2019, which is expected to be published by late March 2020 in accordance with the Listing Rules.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 22 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.