

THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this prospectus or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in PuraPharm Corporation Limited (“Company”), you should at once hand the Prospectus Documents (as defined herein) to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. The Prospectus Documents should not, however, be distributed, forwarded to or transmitted to, into or from any jurisdiction where to do so might constitute a violation of local securities laws or regulations.

A copy of each of the Prospectus Documents, together with the documents specified in the paragraph headed “Documents delivered to the Registrar of Companies” in Appendix III to this prospectus, have been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong and the Securities and Futures Commission of Hong Kong take no responsibility for the contents of any of the Prospectus Documents. Dealings in the securities of the Company and the Rights Shares in their nil-paid form and fully-paid form may be settled through CCASS and you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers for details of the settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, 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 the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms 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.

Hong Kong Exchanges and Clearing Limited, the Stock Exchange and HKSCC take no responsibility for the contents of the Prospectus Documents, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Prospectus Documents.



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 RIGHTS SHARE
FOR EVERY TWO SHARES HELD ON THE RECORD DATE**

Underwriter to the Rights Issue

RaffAello
Securities (HK) Ltd

Terms used in this cover page have the same meanings as defined in this prospectus.

The Rights Issue is conditional upon the fulfilment of the conditions set out under the paragraph headed “Conditions of the Rights Issue” in the section headed “Letter from the Board” on pages 20 to 21 of this prospectus.

The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, any time prior to the Latest Time for Termination, the right to terminate the Underwriting Agreement on the occurrence of certain events, including but not limited to force majeure, as more particularly described in the section headed “Termination of the Underwriting Agreement” in this prospectus. **The Rights Issue is therefore subject to the Underwriter not terminating the Underwriting Agreement. Accordingly, the Rights Issue may or may not proceed.**

The Shares have been dealt with on an ex-rights basis from Wednesday, 29 January 2020. Dealings in the Rights Shares in the nil-paid form are expected to take place from 9:00 a.m. Tuesday, 11 February 2020 to 4:10 p.m. Tuesday, 18 February 2020 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter at or before 4:00 p.m. on Monday, 24 February 2020 or such later time and/or date as may be agreed between the Company and the Underwriter, the Rights Issue will not proceed. Any Shareholders or other persons dealing or contemplating dealing in the Shares up to the date on which all the conditions of the Rights Issue are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases), and any dealings in the nil-paid Rights Shares from Tuesday, 11 February 2020 to Tuesday, 18 February 2020 (both days inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons dealing or contemplating dealing in the Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

The latest time for acceptance of and payment for Rights Shares is 4:00 p.m. on Friday, 21 February 2020. The procedure for acceptance of and payment for or transfer of the Rights Shares are set out on pages 18 and 19 of this prospectus.

7 February 2020

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DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

“acting in concert”	has the meaning given to it in the Takeovers Code
“Agreement for Shareholder’s Loan Capitalisation”	the loan capitalisation agreement dated 12 June 2019 entered into between Mr. Chan and the Company for the Shareholder’s Loan Capitalisation
“Announcement”	the announcement of the Company dated 3 January 2020 in relation to, among other things, the Rights Issue
“associate(s)”	has the meaning given to it under the Listing Rules
“Board”	the board of Directors
“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 HKSCC
“close associate(s)”	has the meaning given to it under the Listing Rules
“Company”	PuraPharm Corporation Limited, a company incorporated in the Cayman Islands with limited liability and the Shares are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning given to it under the Listing Rules
“Controlling Shareholders”	has the meaning given to it under the Listing Rules, and in the context of our Company, means Mr. Chan and companies controlled by him (namely, PuraPharm BVI, Fullgold and Gold Sparkle)
“Director(s)”	the director(s) of the Company
“EAF(s)”	excess application form(s) issued to the Qualifying Shareholder(s) for the application for excess Rights Shares

DEFINITIONS

“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 the Qualifying Shareholders
“Fullgold”	Fullgold Development Limited, a company incorporated in the British Virgin Islands, a Controlling Shareholder
“Gold Sparkle”	Gold Sparkle Limited, a company incorporated in the British Virgin Islands, a Controlling Shareholder
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	the Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	any third parties independent of the Group and their respective connected persons
“Irrevocable Undertaking(s)”	irrevocable undertaking(s), referred to in the paragraph headed “Irrevocable Undertakings” under the section headed “Letter from the Board” in this prospectus, dated 31 December 2019 and executed by each of the Controlling Shareholders in favour of the Company and the Underwriter
“Last Trading Day”	Tuesday, 31 December 2019, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement
“Latest Practicable Date”	3 February 2020, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein
“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 Committee”	has the meaning as defined in the Listing Rules

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chan”	Mr. Chan Yu Ling, Abraham, a Director and Chairman of the Company as well as a Controlling Shareholder
“Non-Qualifying Shareholder(s)”	the 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 address(es) shown on such register is/are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) issued to the Qualifying Shareholders in connection with the Rights Issue
“PRC”	the People’s Republic of China, which for the purpose of this prospectus, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus Documents”	this prospectus, the PAL, and the EAF
“Prospectus Posting Date”	Friday, 7 February 2020, being the date of despatch of the Prospectus Documents
“PuraPharm BVI”	PuraPharm Corporation Limited, a company incorporated in the British Virgin Islands, a Controlling Shareholder
“Qualifying Shareholder(s)”	the Shareholder(s), other than the Non-Qualifying 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, being the date for the determination of the entitlements under the Rights Issue
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, being Computershare Hong Kong Investor Services Limited

DEFINITIONS

“Rights Issue”	the proposed issue of the Rights Shares on the basis of one (1) Rights Share for every two (2) Shares held on the Record Date at the Subscription Price pursuant to the Prospectus Documents and as contemplated under the Underwriting Agreement
“Rights Shares”	131,630,980 Shares, proposed to be offered to the Qualifying Shareholders pursuant to the Rights Issue for subscription
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of US\$0.1 (HK\$0.775) each in the share 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)”	the 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
“Shareholder(s)”	the holder(s) of the Shares
“Shareholder’s Loan Capitalisation”	the capitalisation of HK\$30,000,000 from the outstanding principal amount of a shareholder 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) by way of the allotment and issue of 15,544,041 new Shares to Mr. Chan pursuant to the terms of the Agreement for Shareholder’s Loan Capitalisation, details of which are set out in the announcement dated 12 June 2019 and circular dated 24 July 2019 issued by the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the issue price of HK\$0.80 per Rights Share
“substantial shareholder”	has the meaning given to it under the Listing Rules
“Takeovers Code”	The Hong Kong Codes on Takeovers and Mergers, as modified, amended and supplemented from time to time

DEFINITIONS

“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 entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue
“US\$”	the United States dollars, the lawful currency of the United States of America
“%”	per cent.

EXPECTED TIMETABLE

The indicative timetable for the implementation of the Rights Issue is set out below:

2020

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 PAL	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 on	Monday, 2 March
Certificates for fully-paid Rights Shares to be sent on	Monday, 2 March
Expected first date of 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

All times and dates specified in this prospectus refer to Hong Kong local times and dates. Dates stated in this prospectus for event mentioned in the timetable are indicative only and may be extended or varied. Any changes to the expected timetable for the Rights Issue will be announced as and when appropriate in accordance with the Listing Rules.

EXPECTED TIMETABLE

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

If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on Friday, 21 February 2020, being the date of the Latest Time for Acceptance:

- (i) at any time before 12:00 noon and no longer in force after 12:00 noon, the Latest Time for Acceptance will be postponed to 5:00 p.m. on the same Business Day; or
- (ii) at any time between 12:00 noon and 4:00 p.m., the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the next 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.

Under such circumstances, the dates mentioned in the expected timetable above (including, without limitation, the Latest Time for Termination) may be affected.

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

TERMINATION OF THE UNDERWRITING AGREEMENT

- (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,

TERMINATION OF THE UNDERWRITING AGREEMENT

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.

LETTER FROM THE BOARD



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 Bui, 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
Prof. 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

7 February 2020

To the Qualifying Shareholders and, for information only, the Non-Qualifying Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE RIGHTS SHARE
FOR EVERY TWO SHARES HELD ON THE RECORD DATE**

INTRODUCTION

Reference is made to the Announcement in relation to the Rights Issue. The Board announced that the Company proposed to raise about HK\$105 million before expenses by issuing 131,630,980 Shares by way of 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. Qualifying Shareholders will be entitled to apply for additional Rights Shares in excess of their respective entitlements under the Rights Issue through excess application.

LETTER FROM THE BOARD

The purpose of this prospectus is to provide you with details regarding the Rights Issue, including information on dealing in, transfer and acceptance of the Rights Shares and other information in respect of the Group.

TERMS OF THE RIGHTS ISSUE

Details of the Rights Issue are set out as below:

Issue statistics

Basis of the Rights Issue	:	One (1) Rights Share for every two (2) Shares held on the Record Date
Number of Shares in issue as at the Latest Practicable Date	:	263,261,961 Shares
Number of Shares in issue as at the Record Date	:	263,261,961 Shares
Number of Rights Shares	:	131,630,980 Rights Shares
Aggregate nominal value of the Rights Shares to be issued	:	US\$13,163,098 (HK\$102,014,010)
Subscription Price	:	HK\$0.80 per Rights Share
Enlarged issued share capital of the Company upon completion of the Rights Issue	:	US\$39,489,294 (HK\$306,042,029) comprising 394,892,941 Shares
Funds raised before expenses	:	approximately HK\$105 million

As at the Latest Practicable Date, the Company 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; and apart from the Share Options, the Company did not have any pre-existing obligation to issue Shares or any outstanding warrants, share options, derivatives or securities which are convertible or exchangeable into Shares as at the Latest Practicable Date.

LETTER FROM THE BOARD

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders and this prospectus, for information only, to the Non-Qualifying Shareholders on the Prospectus Posting Date. To qualify for the Rights Issue, a Shareholder must:

- (a) be registered as a member of the Company at the close of business on the Record Date; and
- (b) not be a Non-Qualifying Shareholder.

Shareholders whose Shares are held by nominee companies should note that the Board will regard a nominee company (or which are held in CCASS) as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. Shareholders and investors should consult their professional advisers if they are in any doubt as to their status.

Rights of Overseas Shareholders

The Prospectus Documents have not been registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue.

As at the Latest Practicable Date, there was no Overseas Shareholder as shown on the register of members of the Company. Accordingly, there was no Non-Qualifying Shareholder for the purpose of the Rights Issue.

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.

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 this prospectus to such Non-qualifying Shareholders for their information only, but will not send any PAL or EAF to them. Receipt of a copy of this prospectus does not and will not constitute an offer to the Non-Qualifying Shareholder(s).

LETTER FROM THE BOARD

In order to be registered as members of the Company at the close of business on the Record Date, any relevant transfer documents (together with the relevant share certificates) must be lodged with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 30 January 2020.

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.

It is the responsibility of any person (including but without limitation to nominee, custodian, agent and trustee) receiving a copy of the Prospectus or the PAL or the EAF outside Hong Kong and wishing to take up the Rights Shares or make an application for excess Rights Shares to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction, including the obtaining of any governmental or other consents for observing any other formalities which may be required in such territory or jurisdiction, and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith. Any acceptance by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been complied with. If you are in any doubt as to your position, you should consult your professional adviser. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited is subject to any of the representations and warranties.

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.

Subscription Price

The Subscription Price is HK\$0.80 per Rights Share, payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of Rights Shares or when 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;

LETTER FROM THE BOARD

- (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).

Based on the Subscription Price of HK\$0.80, the estimated gross proceeds of the Rights Issue will be approximately HK\$105 million. The net proceeds from the Rights Issue to be received by the Company are expected to approximately HK\$98.1 million. 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.

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.

In order to enhance the attractiveness of the Rights Issue, issuance of new shares by way of rights issue at a discount to the then market price has been commonly adopted by listed issuers in Hong Kong to encourage existing shareholders to take up their entitlements so as to participate in the potential growth of the listed issuers in the future. In view of the then market conditions, including the trend of the price and liquidity of the Shares, it was considered necessary and appropriate to set the Subscription Price at a discount to the market price with a view to attracting Shareholders to subscribe for the Rights Shares and inducing the Underwriter to participate in the Rights Issue. Moreover, an overall consideration was given to the amount of funds to be raised through the Rights Issue based on the current Subscription Price (including the discount as mentioned above) and the number of Rights Shares to be issued by the Group.

Given that (i) the Rights Shares are offered to all Qualifying Shareholders and each Qualifying Shareholders is entitled to subscribe for the Rights Shares at the same price in proportion to their respective shareholdings in the Company held on the Record Date; (ii) the Subscription Price is at a discount to the recent closing prices of the Shares with a view to encouraging the existing Shareholders to participate in the Rights Issue so as to participate in

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the potential growth of the Company and induce the Underwriter to participate in the underwriting of the Underwritten Shares; and (iii) the proceeds from the Rights Issue will provide the Group with funds required as set out under the section headed “Reasons for the Rights Issue and use of proceeds” in this prospectus, the Board (including the independent non-executive Directors) consider that the Subscription Price is fair and reasonable and in the best interest of the Company and the Shareholders as a whole taken into account of potential dilution impact.

Dilution effect and the structure of the Rights Issue

Despite the Rights Issue will potentially result in a theoretical dilution effect (ascribed to Rule 7.27B of the Listing Rules) of approximately 12.6%, being the discount of the theoretical diluted price (as defined in *note 1(a)* under Rule 7.27B of the Listing Rules) of HK\$1.13 to the benchmarked price (as defined in *note 1(b)* under Rule 7.27B of the Listing Rules) of HK\$1.29, the Directors consider that the interest of the Qualifying Shareholders will not be prejudiced because:

- (a) the Rights Issue provides the Qualifying Shareholders an opportunity to subscribe for their *pro-rata* Rights Shares at a discount to the historical and prevailing market prices of the Shares;
- (b) whilst the dilution nature of Rights Issue is common in the market, the Qualifying Shareholders who choose to accept the Rights Issue in full are able to maintain their respective existing shareholding interests in the Company after the Rights Issue; and
- (c) the Qualifying Shareholders who do not take up their entitlements in the Rights Issue are able to sell the nil-paid Rights Shares in the market, while the Qualifying Shareholders who wish to increase their shareholding interests in the Company through the Rights Issue are able to make excess applications for additional Rights Shares and/or acquire additional nil-paid Rights Shares in the market.

Based on the above, the Board consider that the terms of the Rights Issue are on normal commercial terms, in the interests of the Company and the Shareholders as a whole, and the terms of which, including the Subscription Price, are fair and reasonable and in the best interest of the Company and the Shareholders as a whole taken into account of potential dilution impact.

Based on the above, the Board considers the terms of the Rights Issue, including the Subscription Price, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Basis of provisional allotment

The basis of the provisional allotment will be one (1) Rights Share (in nil-paid form) for every two (2) Shares held by Qualifying Shareholders at the close of business on the Record Date. Application for all or any part of a Qualifying Shareholder’s provisional allotment should be made by completing the PAL and lodging the same with a cheque or a banker’s cashier order for the sum payable for the Rights Shares being applied for with the Registrar,

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Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong on or before the Latest Time for Acceptance.

Fractions of the 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.

Status of the Rights Shares

The Rights Shares, when issued, allotted and fully paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of the fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of the allotment of the Rights Shares in their fully-paid form.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the Registrar will be subject to 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 address. Each Shareholder will receive one share certificate for all allotted Rights Shares.

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares are also expected to be posted on or before Monday, 2 March 2020 by ordinary post at such Shareholders’ own risk.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots (if any) of the Rights Shares arising from the Rights Issue, the Company has appointed, Computershare Hong Kong Investor Services Limited, as an agent to provide matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Rights Shares to make up a full board lot, or to dispose of their holding of odd lots of the Rights Shares during the period from Tuesday, 3 March 2020 to Monday, 23 March 2020. Shareholders who wish to take advantage of this service should contact Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong or at telephone number (852) 2862 8555 during office hours (i.e. 9:00 a.m. to 6:00 p.m.) of such period. Shareholders should note that successful matching of the sale and purchase of odd lots of the Rights Shares is not guaranteed. Shareholders who are in doubt about this service are recommended to consult their professional advisors.

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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 but 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 this 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.

Procedure for acceptance and payment or transfer

A PAL is enclosed with this prospectus which entitles the Qualifying Shareholders to whom it is addressed to subscribe for the number of the Rights Shares shown therein. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PAL, they must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wai Chai, Hong Kong, by no later than 4:00 p.m. on Friday, 21 February 2020 (or, under bad weather conditions, such later date as mentioned in the section headed “Expected Timetable — Effect of Bad Weather on the Latest Time For Acceptance and Payment for the Rights Shares and Application for Excess Rights Shares”). All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier’s orders which must be issued by, a licensed bank in Hong Kong and made payable to “**PuraPharm Corporation Ltd**” and crossed “**Account payee only**”. It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Registrar by no later than 4:00 p.m. on Friday, 21 February 2020, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled and such Rights Shares will be available for application under the EAFs by the Qualifying Shareholders. The Company may, at its sole and absolute discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require such incomplete PAL to be completed by the relevant applicants at a later stage.

If the Qualifying Shareholders wish to accept only part of their provision allotment or transfer part of their rights to subscribe for the Rights Share provisionally allotted to them under the PAL or to transfer part of their rights to more than one person, the original PAL must be surrendered and lodged for cancellation by no later than 4:30 p.m. on Thursday, 13 February 2020 to the Registrar, who will cancel the original PAL and issue new PALs in the denomination required which will be available for collection from the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor,

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Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL. The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques or cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a cashier's order, whether by a Qualifying Shareholder or by any nominated transferee, will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or cashier's order is dishonoured on first presentation, and in that event, the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

Excess Rights Shares

If the Qualifying Shareholders wish to apply for any Rights Shares in addition to the provisional allotment, the Qualifying Shareholders must complete and sign the EAF as indicated thereon and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar by not later than 4:00 p.m. on Friday, 21 February 2020 (or, under bad weather conditions, such later date as mentioned in the section headed "Expected Timetable — Effect of Bad Weather on the Latest Time For Acceptance and Payment for the Rights Shares and Application for Excess Rights Shares"). All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and banker's cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "**PuraPharm Corporation Ltd**" and crossed "**Account Payee Only**". It should be noted that the allotment of excess Rights Shares will be made by the Directors on a fair and equitable basis but Shareholders are not guaranteed to be allotted all or any of the excess Rights Shares applied for.

No action has been taken to permit the offering of the Rights Shares or the distribution of the Prospectus Documents in any territory other than Hong Kong. Accordingly, no person receiving the Prospectus Documents in any territory outside Hong Kong may treat it as an offer or invitation to apply for the Rights Shares, unless in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. It is the responsibility of anyone outside Hong Kong wishing to make an application for the Rights Shares to satisfy itself/himself/herself as to the observance of the laws and regulations of all relevant territories, including the obtaining of any governmental or other consents, and to pay any taxes and duties.

If the Underwriter exercises the right to terminate or rescind the Underwriting Agreement or if any of the conditions of the Rights Issue as set out in the paragraph headed "Conditions of the Rights Issue" below is not fulfilled at or before the time and date specified in the Underwriting Agreement, the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form have been validly transferred or, in the case of joint acceptances,

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to the first-named person without interest, by means of cheques despatched by ordinary post at their own risk to their respective registered addresses by the Registrar on or before Monday, 2 March 2020.

Application for listing

The Company has made application to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, 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 the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms 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 licensed securities dealer or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

All necessary arrangements will be made to enable the Rights Shares in their fully-paid form to be admitted into CCASS.

Both nil-paid Rights Shares and 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 in Hong Kong, will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy and any other applicable fees and charges in Hong Kong.

Conditions of the Rights Issue

The Rights Issue is conditional upon, among others, the following conditions being fulfilled:

- (a) the Stock Exchange having authorised the registration of, and the Registrar of Companies in Hong Kong having registered, respectively, not later than one Business Day prior to the Prospectus Posting Date, each of the Prospectus Documents each duly certified in compliance with section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (and all other documents required to be attached thereto or otherwise filed or delivered) and otherwise complying with the requirements of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) and the Listing Rules;

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- (b) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of this prospectus, without the PALs and EAFs, to the Non-Qualifying Shareholders, if any, for information purposes only, on or before the Posting Date;
- (c) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) by no later than the Prospectus Posting Date and such listings and permission to deal not having been withdrawn or revoked on or before 4:00 p.m. on 21 February 2020;
- (d) the execution and delivery of the Irrevocable Undertakings on the date of the Underwriting Agreement;
- (e) the compliance by the Controlling Shareholders with their obligations under the Irrevocable Undertakings; and
- (f) the obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms thereof.

Save for conditions (d), (e) and (f) above, none of the above conditions is capable of being waived by the Underwriter or the Company.

If the above conditions are not fulfilled by the respective date set out therein (or such other time and/or date(s) as the Underwriter may agree with the Company in writing), the Underwriting Agreement shall terminate (save in respect of the provisions in relation to fees and expenses, announcements and confidentiality, indemnity, notices and governing law and any rights or obligations which may accrue under the Underwriting Agreement prior to such termination) and no party will have any claim against any other party for cost, damages, compensation or otherwise (save for any antecedent breaches), 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.

As at the Latest Practicable Date, other than conditions (a), (b) and (d) above, none of the conditions had been fulfilled.

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UNDERWRITING AGREEMENT

The principal terms of the Underwriting Agreement are as follows:

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) and type 4 (advising on corporate finance) 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 the 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, an Independent Third Party.

Number of Shares : all the Rights Shares, less the Excluded Rights Shares, being
underwritten 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.

Under the Underwriting Agreement, if the conditions of the Rights Issue are fulfilled on or before the Latest Time for Termination (or such later time and/or date as the Company and the Underwriter may agree) and the Underwriting Agreement becomes unconditional and is not terminated in accordance with the terms thereof, and in the event that by the Latest Time for Acceptance any of the Underwritten Shares have not been taken up ("**Untaken Shares**"), the Company shall as soon as practicable thereafter and in any event before 6:00 p.m. on the second Business Day after the Latest Time for Acceptance, notify or procure the branch share registrar and transfer office of the Company in Hong Kong on behalf of the Company to notify the Underwriter in writing of the number of Untaken Shares for the Underwriter to subscribe for or procure subscription for the Untaken Shares.

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Pursuant to the Underwriting Agreement, when the Underwriter is being called upon to subscribe for or procure subscription for the Untaken Shares, among others:

- (1) the Underwriter shall not subscribe, for its own account, for such number of Untaken Shares which will result in it and parties acting in concert (within the meaning of the Takeovers Code) with it in the Company to be 29.9% or more of the then issued share capital of the Company;
- (2) the Underwriter shall procure that each of the subscribers of the Untaken Shares (including any direct and indirect sub-underwriter), shall be Independent Third Party, not acting in concert with and not connected with any connected persons of the Company and their respective associates or close associates; and
- (3) the Underwriter shall ensure that none of the subscribers of the Untaken Shares (including the Underwriter) will become a substantial shareholder of the Company as a result of such subscription and such subscriber, together with parties acting in concert with it, shall not be holding 29.9% or more of the issued share capital of the Company immediately upon the allotment and issue of the Rights Shares.

Termination of the Underwriting Agreement

The Underwriter may terminate the Underwriting Agreement by notice in writing given to the Company at any time prior to the Latest Time for Termination upon the occurrence of certain events. For details, please refer to the section headed “Termination of the Underwriting Agreement” in this prospectus.

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IRREVOCABLE UNDERTAKINGS

As at the date of the Underwriting Agreement, 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:

	As at the date of the Announcement		Expected number of Rights Shares to be provisionally allotted
Controlling Shareholders	Number of Shares held	Approximate percentage of issued capital of the Company	
Mr. Chan	18,631,541	7.08%	9,315,770 <i>(Note 1)</i>
Fullgold <i>(Note 2)</i>	62,286,000	23.66%	31,143,000
Gold Sparkle <i>(Note 2)</i>	13,050,720	4.96%	6,525,360
PuraPharm BVI <i>(Note 2)</i>	<u>51,566,500</u>	<u>19.59%</u>	<u>25,783,250</u>
	<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 prospectus.

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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 Latest Practicable Date; 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 Latest Practicable Date to immediately after the completion of the Rights Issue.

	As at the Latest Practicable Date		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)	Approximate		Approximate		Approximate	
				Number of Shares	percentage (Note 1)	Number of Shares	percentage (Note 1)	Number of Shares
Controlling Shareholders								
Mr. Chan	18,631,541	7.08%	27,947,311	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%	93,429,000	23.66%
Gold Sparkle	13,050,720	4.96%	19,576,080	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%	77,349,750	19.59%
Other non-public Shareholders								
Other directors of the Company <i>(Note 2)</i>	3,325,000	1.26%	4,987,500	1.26%	3,325,000	0.84%	3,325,000	0.84%
Share Award Scheme	2,206,000	0.84%	3,309,000	0.84%	2,206,000	0.56%	2,206,000	0.56%
Public Shareholders								
Existing public shareholders	112,196,200	42.62%	168,294,300 <i>(Note 3)</i>	42.62%	112,196,200	28.41%	112,196,200	28.41%
Underwriter <i>(Note 4)</i>	—	—	—	—	58,863,600	14.91%	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>	<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 Mr. Chan Kin Man, Eddie (a Director of the Company), namely Best Revenue Investments Limited and K.M. Chan & Co. Limited.
3. Assuming no Non-qualifying Shareholders.
4. Assuming no application for excess Rights Shares.

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Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Shares. Further announcements will be made by the Company in accordance with the Listing Rules following the completion of the Rights Issue upon which the Rights Shares are allotted and issued.

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\$98.1 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 borrowings and general working capital of the Group:

(a) Repayment of the bank loan

The Board intends to apply approximately HK\$41 million to repay the outstanding amount (including the principal and the relevant interest and fees) in full under a bank term loan (the “**Bank Loan**”) owed by the Group to a commercial bank, which is an independent third party of the Group. The Bank Loan has an original principal amount of approximately HK\$59 million with a committed loan period ended on April 2019 and a final maturity date of in January 2023, which is secured by, among others, a charge over certain lands and properties of the wholly-owned subsidiaries of the Company. Pursuant to the terms of the Bank Loan, it shall be repaid by monthly instalments.

The existing level of external borrowing and the associated financial cost would continue to impose cash flow burden on the Group. Financing the Group’s business operation solely through debt financing would further reduce the Group’s liquidity and increase the Group’s exposure to financial cost, thereby limiting our future fund raising ability through bank borrowing to finance our operation and business expansion.

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Further, we are subject to restrictive covenants such as collateral requirement, cash deposit requirement, maintenance of certain levels of financial ratios and restrictions on the use of the loan proceeds, which in turn, would limit the amount of funds that we are able to apply for our operation and may restrict our future business activities.

Since the charged assets are substantially more valuable than the outstanding amount under the Bank Loan, the Board considers that applying partial proceeds from the Rights Issue for an early repayment of the Bank Loan can release the charged assets for other more favourable debt financing opportunities.

(b) General working capital of the Group

The Board intends to apply approximately HK\$57.5 million for the general working capital of the Group, of which approximately HK\$20 million will be applied for marketing expenses for the Group's China CCMG business in the first half of year 2020 and approximately HK\$20 million will be applied for raw herbs procurement in year 2020. The remaining of approximately HK\$17.5 million will be retained for other expected working capital requirements of the Group in the future.

The Directors have considered other financing alternatives including (i) additional debt financing, (ii) placement of new Shares, and (iii) open offer of new Shares. The Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole, for the reasons as follows:

- (a) As at the Latest Practicable Date, the Company has attempted to obtain loan financing from its principal bankers, but is aware that due to the relatively high gearing ratio of the Company and the fact that most of the Company's assets had been pledged as security for existing bank facilities, it is very difficult for the Company to obtain additional loan facilities with favourable terms and conditions in terms of interest rate and charges. As at 30 June 2019, the gearing ratio of the Group, which is calculated by dividing the total interest-bearing bank and other borrowings, and a loan from a director by the total equity was 0.95 (31 December 2018: 1.0). In addition, the Board is of the view that the debt financial may result in an even higher gearing ratio of the Group, and repayment of additional bank loans will further limit the cash flow for potential business growth.
- (b) Any placement of new Shares it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company. Further, upon calculation of the maximum possible proceeds from the placement of new Shares, the Board considers that the amount to be raised in such way would not be sufficient for the purposes mentioned above; and
- (c) While an open offer of new Shares offers Qualifying Shareholders the opportunity to participate in the subscription of new Shares, it does not allow the trading of rights entitlements in the open market.

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Given the above, the Board considers that the Rights Issue, which is on a fully underwritten basis, can make the Company raise sufficient funds to satisfy its demands on funds as mentioned and provides better financial flexibility for the Company as it will strengthen the capital base of the Company, thus enhancing its net asset position without the ongoing burden of interest expenses. In addition, the Rights Issue would give the Qualifying Shareholders the opportunity to maintain their respective pro rata shareholding interest in the Company and provide an opportunity to all Qualifying Shareholders to participate in the growth of the Company in proportion to their shareholdings.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save for the Shareholder's Loan Capitalisation, the Company has not conducted any equity fund raising activities in the past twelve (12) months immediately preceding the Latest Practicable Date.

POSSIBLE ADJUSTMENTS TO THE SHARE OPTIONS

As at the Latest Practicable Date, the Company had outstanding Share Options issued under the Share Option Scheme carrying rights for the grantees thereof to subscribe for an aggregate of 6,376,000 Shares (subject to adjustment). As a result of the Rights Issue, there may be adjustments to the exercise price(s) and/or the number of Shares to be issued upon exercise of the outstanding Share Options pursuant to the terms and conditions of the Share Option Scheme. The Company has appointed its auditor to certify in writing the adjustments to the Share Options and that such adjustments are in accordance with the terms and conditions of the Share Option Scheme with reference to the Listing Rules. Further announcement(s) will be made by the Company in relation thereof as and when appropriate.

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 the Announcement, the Rights Issue is not conditional on approval by the Shareholders pursuant to Rule 7.19A of the Listing Rules.

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

The Shares have been dealt with on an ex-rights basis from Wednesday, 29 January 2020. Dealings in the Rights Shares in the nil-paid form are expected to take place from 9:00 a.m. on Tuesday, 11 February 2020 to 4:10 p.m. on Tuesday, 18 February 2020 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter on or before 4:00 p.m. on Monday, 24 February 2020 or such later time and/or date as may be agreed between the Company and the Underwriter, the Rights Issue will not proceed.

Any Shareholders or other persons dealing or contemplating dealing in the Shares up to the date on which all the conditions of the Rights Issue are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases), and

LETTER FROM THE BOARD

any dealings in the nil-paid Rights Shares from Tuesday, 11 February 2020 to Tuesday, 18 February 2020 (both days inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons dealing or contemplating dealing in the Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this prospectus.

On behalf of the Board
PuraPharm Corporation Limited
Chau Yu Ling, Abraham
Chairman

1. FINANCIAL INFORMATION OF THE COMPANY

The audited consolidated financial statements of the Group for the years ended 31 December 2016, 31 December 2017 and 31 December 2018, including the notes thereto, have been published in:

- the annual report of the Company for the year ended 31 December 2016 published on 24 April 2017 (pages 109 to 193) which could be accessed here:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0424/ltn201704241093.pdf>;

- the annual report of the Company for the year ended 31 December 2017 published on 23 April 2018 (pages 118 to 213) which could be accessed here:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0423/ltn201804231423.pdf>;
and

- the annual report of the Company for the year ended 31 December 2018 published on 9 April 2019 (pages 124 to 235) which could be accessed here:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0409/ltn201904091234.pdf>.

The said annual reports of the Company are also available on the Company's website at www.purapharm.com and the website of the Stock Exchange at www.hkexnews.hk.

Save as those disclosed in the Company's interim report for the six months ended 30 June 2019 and the profit warning announcement dated 22 January 2020, as at the Latest Practicable Date, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2018 (being the date to which the latest published audited financial statements of the Group were made up).

2. STATEMENT OF INDEBTEDNESS

Indebtedness

As at the close of business on 31 December 2019, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this prospectus, the Group had the following outstanding indebtedness:

	<i>HK\$'000</i>
Bank and other borrowings	
Secured	253,835
Unsecured	<u>217,162</u>
	<u><u>470,997</u></u>

The Group's secured bank borrowings were secured by property, plant and equipment, right-of-use assets, financial assets at fair value through profit or loss, inventories, trade and bills receivables and pledged deposits of the Group.

Lease liabilities

The Group has adopted HKFRS 16 Leases using a modified retrospective approach on 1 January 2019. The Group applies HKFRS 16 to contracts that were previously identified as leases under Hong Kong Accounting Standard 17 Leases and uses the exemptions allowed by the standard on short-term leases and lease contracts whose lease terms end within 12 months as of the date of the initial application. The Group measures the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate and measures the right-of-use asset at an amount equal to the lease liability, adjusted by any prepaid or accrued lease payments. As at 31 December 2019, the Group has current and non-current lease liabilities amounted to HK\$28.0 million and HK\$42.5 million, respectively.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on 31 December 2019, the Group did not have any debt securities issued and outstanding and authorised or otherwise created but unissued, term loans, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors, after due and careful consideration and taking into account of the financial resources of the Group, the banking facilities, the estimated net proceeds from the Right Issue and the Group's internally generated funds, are of the opinion that the Group will have sufficient working capital for its present requirements for at least the next twelve months following the date of this prospectus.

4. FINANCIAL AND TRADING PROSPECTS

The Group reported a revenue and net loss of HK\$333.6 million and HK\$45.2 million, respectively, for the six months ended 30 June 2019.

The China CCMG business continues to be challenging with keen price competition. The drop in sales in the China CCMG business for the six months ended 30 June 2019 was due to a structural revamp of the business strategy in China. Since the beginning of 2019, the Group has raised the prices of its CCMG products in China and have successfully negotiated a higher trade margin with certain of its distributors. The adjustments have also delineated some unprofitable distributors and have resulted in a temporary loss of sales. However, this structural revamp in pricing and business strategy is considered a necessary and fundamental move to improve the overall margin of the Group's CCMG business in China in the long term. The revamped sales and pricing strategy of the Group's CCMG business will continue and is on track to further improve the sales and profitability of the China CCMG segment.

The Hong Kong retail market weakened further from June onwards due to the outbreak of social incidents. The ongoing social instability in Hong Kong affected the Group's clinic business segment, number of patient visit to the Group's clinics was substantially reduced. Due to the difficult retail market and sluggish consumption sentiment, the sales of the Group's Chinese healthcare products was also affected.

In view of the extremely difficult operating environment in Hong Kong, the Group will further optimise the clinic network in Hong Kong and enhance its profitability by closing those clinics located in unfavourable locations.

Looking ahead, the Group will continue to strengthen the competitiveness of its "farm to clinic" concept. The Group will endeavour to achieve sustainability and stability of its business so as to secure the best interest of its Shareholders, and continue to be the pioneer in modernising Chinese Medicine through its innovation and conviction.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group (the “Unaudited Pro Forma Financial Information”) which has been prepared to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group as if the Rights Issue had been completed on 30 June 2019.

The Unaudited Pro Forma Financial Information is prepared based on the consolidated net tangible assets of the Group as at 30 June 2019 as extracted from the interim report of the Company for the six months ended 30 June 2019 and is adjusted for the effect of the Shareholder’s Loan Capitalisation and Rights Issue as if the Shareholder’s Loan Capitalisation and Rights Issue had been completed on 30 June 2019.

The Unaudited Pro Forma Financial Information is prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group immediately after completion of the Rights Issue or any future date after completion of the Rights Issue.

Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2019 <i>(Note 1)</i> HK\$'000	Shareholder's Loan Capitalisation <i>(Note 2)</i> HK\$'000	Estimated net proceeds from Rights Issue <i>(Note 3)</i> HK\$'000	Shareholder's Loan Capitalisation HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2019 after taking into account of the Shareholder's Loan Capitalisation HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group immediately after the completion of the Rights Issue and Shareholder's Loan Capitalisation HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group immediately after taking into account of the Shareholder's Loan Capitalisation HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group immediately after the completion of the Rights Issue and Shareholder's Loan Capitalisation HK\$'000

Based on 131,630,980 Rights Shares at Subscription Price of HK\$0.8 per Rights Share

325,455	30,000	98,095	355,455	453,550	1.31	1.35	1.15
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Notes:

- (1) The consolidated net tangible assets of the Group as at 30 June 2019 is calculated based on the consolidated net assets of the Group of approximately HK\$516,051,000 as at 30 June 2019 after deducting other intangible assets and goodwill of approximately HK\$34,911,000 and HK\$155,685,000.
- (2) The shareholder loan capitalisation being the capitalisation of HK\$30,000,000 from the outstanding principal amount of a shareholder 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) by way of the allotment and issue of 15,544,041 new

Shares to Mr. Chan pursuant to the terms of the Agreement for Shareholder's Loan Capitalisation, details of which are set out in the announcement dated 12 June 2019 and circular dated 24 July 2019 issued by the Company.

- (3) The estimated net proceeds from the Rights Issue are based on the number of 131,630,980 Rights Shares to be issued at the Subscription Price of HK\$0.8 per Rights Share, after deduction of the estimated related expenses, including among others, transaction fees, which are directly attributable to the Rights Issue, of approximately HK\$7,210,000.
- (4) The calculation of the consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2019 per Share is determined based on the consolidated net tangible assets of the Group attributable to owners of the Company of approximately HK\$325,455,000 divided by the number of Shares of 247,717,920 as at 30 June 2019.
- (5) The unaudited pro forma adjusted consolidated net tangible assets per Share attributable to owners of the Company as at 30 June 2019 after taking into account of the Shareholder's Loan Capitalisation is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2019 after taking into account of the Shareholder's Loan Capitalisation of approximately HK\$355,455,000 divided by the number of Shares of 263,261,961 which comprise 247,717,920 shares in issue as at 30 June 2019 and 15,544,041 shares issued after Shareholder's Loan Capitalisation.
- (6) The unaudited pro forma adjusted consolidated net tangible assets per Share attributable to owners of the Company as at 30 June 2019 immediately after the completion of the Rights Issue and Shareholder's Loan Capitalisation is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2019 immediately after the completion of the Shareholder's Loan Capitalisation and Rights Issue of approximately HK\$453,550,000 divided by 394,892,941 shares which comprise 247,717,920 shares in issue as at 30 June 2019, 15,544,041 shares issued after Shareholder's Loan Capitalisation and 131,630,980 Rights Shares to be issued pursuant to the Rights Issue assuming the Rights Issue had been completed on 30 June 2019.
- (7) Save as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2019.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT

The following is the text of a report received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, in respect of the unaudited pro forma financial information of the Group for the purpose of incorporation in this prospectus.



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION****To the Directors of PuraPharm Corporation Limited**

We have completed our assurance engagement to report on the compilation of pro forma financial information of PuraPharm Corporation Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets of the Group as at 30 June 2019 and related notes as set out on pages II-1 to II-2 of the prospectus of the Company dated 7 February 2020 (“the Prospectus”) issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in the notes as set out on pages II-1 to II-2.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed Rights Issue of 131,630,980 Rights Shares at the Subscription Price of HK\$0.8 per Rights Share on the basis of one Rights Share for every two Shares of the Company held on the record date (the “Rights Issue”) on the Group’s financial position as at 30 June 2019 as if the Rights Issue had taken place as at 30 June 2019. As part of this process, information about the Group’s consolidated net tangible assets has been derived by the directors from the Group’s consolidated statement of financial position as at 30 June 2019, on which an interim report has been published.

Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 (“AG 7”) Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the proposed rights issue in the proportion of one rights share for every existing two shares of the Company held on the record date on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the Rights Issue in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

7 February 2020

1. RESPONSIBILITY STATEMENT

This prospectus, 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 prospectus 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 prospectus misleading.

2. SHARE CAPITAL

- (i) The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following completion of the Rights Issue were/will be as follows:

(a) As at the Latest Practicable Date

<i>Authorised:</i>	<i>US\$</i>
<u>50,000,000,000</u> Shares	<u>5,000,000,000</u>
<i>Issued and fully paid or credited as fully paid:</i>	<i>US\$</i>
<u>263,261,961</u> Shares	<u>26,326,196</u>

(b) Immediately following completion of the Rights Issue

<i>Authorised:</i>	<i>US\$</i>
<u>50,000,000,000</u> Shares	<u>5,000,000,000</u>
<i>Issued and fully paid or credited as fully paid:</i>	<i>US\$</i>
263,261,961 Shares in issue as at the Record Date	26,326,196
131,630,980 Rights Shares to be allotted and issued under the Rights Issue	13,163,098
<u>394,892,941</u> Shares in issue upon completion of the Rights Issue	<u>39,489,294</u>

All the Shares in issue rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and return of capital. The Rights Shares, when allotted and fully paid, will rank *pari passu* in all respects with the Shares then in issue, including the right to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment of the Rights Shares.

The Company has applied to the Listing Committee for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms.

- (ii) Details of the outstanding Share Options as at the Latest Practicable Date were as follows:

Name of grantee	Number of underlying Shares subject to outstanding Share options	Date of grant	Vesting date	Exercise price HK\$ per Share	Exercise period
Directors					
Mr. Chan	1,041,500	9 May 2019	10 May 2020	2.4	From vesting date to 9 May 2029
	1,041,500	9 May 2019	10 May 2021	2.4	From vesting date to 9 May 2029
	<u>2,083,000</u>				
Dr. Tsoi Kam Biu, Alvin	340,000	9 May 2019	10 May 2020	2.4	From vesting date to 9 May 2029
	340,000	9 May 2019	10 May 2021	2.4	From vesting date to 9 May 2029
	<u>680,000</u>				
Mr. Chan Kin Man, Eddie	1,041,500	9 May 2019	10 May 2020	2.4	From vesting date to 9 May 2029
	1,041,500	9 May 2019	10 May 2021	2.4	From vesting date to 9 May 2029
	<u>2,083,000</u>				
Ms. Man Yee Wai, Viola	340,000	9 May 2019	10 May 2020	2.4	From vesting date to 9 May 2029
	340,000	9 May 2019	10 May 2021	2.4	From vesting date to 9 May 2029
	<u>680,000</u>				
Others					
Employee	212,500	9 May 2019	10 May 2020	2.4	From vesting date to 9 May 2029
	212,500	9 May 2019	10 May 2021	2.4	From vesting date to 9 May 2029
	212,500	9 May 2019	10 May 2022	2.4	From vesting date to 9 May 2029
	212,500	9 May 2019	10 May 2023	2.4	From vesting date to 9 May 2029
	<u>850,000</u>				
Total	<u>6,376,000</u>				

No part of the share capital or any other securities of the Company has been listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, apart from the Share Options, the Company does not have any pre-existing obligation to issue Shares or any outstanding warrants, share options, derivatives or securities which are convertible or exchangeable into Shares.

As at the Latest Practicable Date, there was no arrangement under which future dividends were waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS

Directors' Interests and/or Short Position in Shares and Underlying Shares of 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 Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in the Listing Rules, were as follows:

Name	Nature of Interest	Total number of Shares held (Long position)	Total number of underlying Shares of Share Options	Approximate percentage of shareholding
Mr. Chan	Interest of controlled corporations (<i>Note 1</i>)	126,903,220	—	48.20%
	Beneficial ownership	18,631,541	2,083,000	7.87%
	Interest of Spouse (<i>Note 2</i>)	150,000	680,000	0.32%
	Beneficiary of a trust (<i>Note 6</i>)	150,000	—	0.06%
Ms. Man Yee Wai, Viola	Interest of controlled corporations (<i>Note 3</i>)	51,566,500	—	19.59%
	Beneficial ownership	75,000	680,000	0.29%
	Interest of Spouse (<i>Note 4</i>)	94,118,261	2,083,000	36.54%
	Beneficiary of a trust (<i>Note 6</i>)	75,000	—	0.03%

Name	Nature of Interest	Total number of Shares held (Long position)	Total number of underlying Shares of Share Options	Approximate percentage of shareholding
Mr. Chan Kin Man, Eddie	Interest of controlled corporations (<i>Note 5</i>)	3,125,000	—	1.19%
	Beneficial ownership	10,000	2,083,000	0.80%
	Beneficiary of a trust (<i>Note 6</i>)	10,000	—	0.004%
Dr. Tsoi Kam Biu, Alvin	Beneficial ownership	75,000	680,000	0.29%
	Beneficiary of a trust (<i>Note 6</i>)	75,000	—	0.03%
Dr. Chan Kin Keung, Eugene	Beneficial ownership	10,000	—	0.004%
	Beneficiary of a trust (<i>Note 6</i>)	10,000	—	0.004%
Mr. Ho Kwok Wah, George	Beneficial ownership	10,000	—	0.004%
	Beneficiary of a trust (<i>Note 6</i>)	10,000	—	0.004%
Dr. Leung Lim Kin, Simon	Beneficial ownership	10,000	—	0.004%
	Beneficiary of a trust (<i>Note 6</i>)	10,000	—	0.004%
Prof. Tsui Lap Chee	Beneficial ownership	10,000	—	0.004%
	Beneficiary of a trust (<i>Note 6</i>)	10,000	—	0.004%

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 BVI, a limited liability company incorporated in the British Virgin Islands on 5 May 1998. PuraPharm BVI owns 51,566,500 Shares. By virtue of the SFO, Mr. Chan is deemed to be interested in the Shares held by PuraPharm BVI.

Mr. Chan beneficially owns the entire issued share capital of Fullgold, 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.

Mr. Chan beneficially owns the entire issued share capital of 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 and Share Options granted to Ms. Man. Among the 150,000 Shares, 75,000 Shares were granted to Ms. Man under the Share Award Scheme, which are held on trust by the Share Award Scheme trust until the Shares are vested and 75,000 Shares are beneficially owned by Ms. Man.
- Ms. Man Yee Wai, Viola (“**Ms. Man**”) beneficially owns 50% of the issued share capital of Joint Partners, which in turn wholly owns the entire issued capital of PuraPharm BVI. PuraPharm BVI owns 51,566,500 Shares. By virtue of the SFO, Ms. Man is deemed to be interested in the Shares held by PuraPharm BVI.
- 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 and Share Options granted to Mr. Chan. Among the 94,118,261 Shares, 150,000 Shares were granted to Mr. Chan under the Share Award Scheme, which are held on trust by the Share Award Scheme trust until the Shares are vested; 18,631,541 Shares are beneficially owned by Mr. Chan; and 75,336,720 Shares are held by corporation controlled by Mr. Chan.

5. 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 own 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.
6. 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.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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 or chief executive of the Company, the following entity (not being a 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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name	Nature of Interest	Total number of shares held	Approximate percentage of shareholding
PuraPharm BVI	Beneficial ownership	51,566,500 (L)	19.59%
Joint Partners	Interest of controlled corporations (<i>Note 1</i>)	51,566,000 (L)	19.59%
Fullgold	Beneficial ownership	62,286,000 (L)	23.66%
Gold Sparkle	Beneficial ownership	13,050,720 (L)	4.96%
Successful Lotus Limited	Beneficial ownership	15,000,000 (L)	5.70%
		15,000,000 (S)	5.70%
Mr. Lee Ka Kit	Interest of controlled corporations (<i>Note 2</i>)	15,000,000 (L)	5.70%
		15,000,000 (S)	5.70%

Notes:

- (1) PuraPharm BVI is wholly owned by Joint Partners. By virtue of the SFO, Joint Partners is deemed to be interested in the Shares held by PuraPharm BVI.
- (2) Successful Lotus Limited is wholly owned by Mr. Lee Ka Kit. By virtue of the SFO, Mr. Lee Ka Kit is deemed to be interested in the Shares held by Successful Lotus Limited.

Save as disclosed above, as at Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

4. 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).

5. 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.

6. 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.

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 prospectus:

Names	Qualifications
Ernst & Young	Certified Public Accountants, Hong Kong

Ernst & Young has given and has not withdrawn its written consent to the issue of this prospectus 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, Ernst & Young:

- (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. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

9. MATERIAL CONTRACT

During the two years immediately preceding the date of this prospectus, the following contract (not being contract entered into in the ordinary course of business of the Company) has been entered into by the Group and is or may be material:

- (1) the Underwriting Agreement; and
- (2) the Agreement for Shareholder's Loan Capitalisation.

10. DIRECTORS

Particulars of the Directors

Name	Business Address
<i>Executive Directors</i>	
Mr. Chan Yu Ling, Abraham (<i>Chairman</i>)	Suite 4002, Jardine House 1 Connaught Place, Central Hong Kong
Dr. Tsoi Kam Biu, Alvin (<i>Vice-Chairman</i>)	Suite 4002, Jardine House 1 Connaught Place, Central Hong Kong
Mr. Chan Kin Man, Eddie	Suite 4002, Jardine House 1 Connaught Place, Central Hong Kong
Ms. Man Yee Wai, Viola	Suite 4002, Jardine House 1 Connaught Place, Central Hong Kong

Name	Business Address
<i>Non-Executive Director</i>	
Mr. Chow, Stanley	Suite 4002, Jardine House 1 Connaught Place, Central Hong Kong
<i>Independent Non-Executive Directors</i>	
Dr. Chan Kin Keung, Eugene	Suite 4002, Jardine House 1 Connaught Place, Central Hong Kong
Mr. Ho Kwok Wah, George	Suite 4002, Jardine House 1 Connaught Place, Central Hong Kong
Dr. Leung Lim Kin, Simon	Suite 4002, Jardine House 1 Connaught Place, Central Hong Kong
Prof. Tsui Lap Chee	Suite 4002, Jardine House 1 Connaught Place, Central Hong Kong

Biographies of the Directors and Senior Management

Executive Directors

Mr. Chan Yu Ling, Abraham (陳宇齡), aged 59, is the founder, Chairman, Chief Executive Officer and Executive Director. He is responsible for the overall strategic planning and operations of the Group's business. He also leads the Group's research development and technological development functions. Mr. Chan has over 19 years of extensive experience in Chinese medicine and healthcare products. He is a member of the Chinese Medicine Development Committee. In 2016, he was awarded Directors of The Year Awards 2016 by The Hong Kong Institute of Directors. Mr. Chan graduated from the University of Toronto in Canada with a Bachelor's Degree in Applied Sciences. He was accredited as a Chartered Engineer in the United Kingdom and was accredited as a Professional Engineer in Ontario, Canada. He is the spouse of Ms. Man Yee Wai, Viola, an Executive Director.

Dr. Tsoi Kam Biu, Alvin (蔡鑑彪), aged 63, is an Executive Director and Vice Chairman. He is responsible for the overall strategic planning of the Group's business. Dr. Tsoi has over 23 years of experience in sales management and Chinese medicine and healthcare products. Dr. Tsoi is a consultant in The Hong Kong T. C. M. Orthopaedic and Traumatic Association Ltd. He is also an Honorary President and a consultant of The Association of Hong Kong and Kowloon Practitioners of Chinese Medicine Limited. Dr. Tsoi is a listed Chinese Medicine Practitioner under the Chinese Medicine Practitioners Board of the Chinese Medicine Council of Hong Kong. Dr. Tsoi received his Doctorate Degree in Dental Medicine from De Ocampo Memorial College in the Philippines and

obtained a Bachelor's Degree in Chinese Medicine from the Chinese Medical Research Institute of the Association of Hong Kong and Kowloon Practitioners of Chinese Medicine Limited.

Mr. Chan Kin Man, Eddie (陳健文), aged 59, an Executive Director. Mr. Chan has over 30 years of extensive experience in professional accounting and taxation services. He is the founder and senior partner in CWCC, an accounting firm, to oversee the divisions of tax, corporate secretarial and China business advisory services. Mr. Chan was accredited as a Certified Public Accountant (practising) and a fellow member by the Hong Kong Institute of Certified Public Accountants in January 1990 and July 1993 respectively, a fellow member of the Association of Chartered Certified Accountants in January 2001 and a fellow member of The Institute of Chartered Accountants in England and Wales in December 2017. He received a higher diploma in accountancy from the Hong Kong Polytechnic University.

Ms. Man Yee Wai, Viola (文綺慧), age 54, is an Executive Director and has been with the Group since its founding in 1998. She is responsible for corporate and brand strategies, and the overall strategic planning of the Group's business. Ms. Man was the Key Account Manager and Group Product Manager of Nestle China Limited and the Consumer Marketing Manager of Coca-Cola China Ltd. and has over 20 years of experience in strategic planning, brand management, consumer and industrial marketing, key account management and new product development. Ms. Man was the Chairman (2012/13) of Tung Wah Group of Hospitals ("TWGHs"), one of the largest charitable organisations principally engaged in the provision of medical and health services, education and community services in Hong Kong and was a member of the Advisory Board of TWGHs (2013/14). Ms. Man was the Founding Chairman of the Board of Governors and College Council of Tung Wah College, and is currently the Council Chairman of Tung Wah College. She is a member of the Council of the Education University of Hong Kong. She is a member of the HK Basic Law Promotion Steering Committee, a member of the Betting and Lotteries Commission and a fellow of Hong Kong Institute of Directors. Ms. Man was a member of the Advisory Committee of the School of Chinese Medicine of Hong Kong Baptist University (2010 to 2016), and a member of the Risk Communication Advisory Group of the Centre for Health Protection of the Health Department (2013 to 2016). Ms. Man is a member of the Chinese People's Political Consultative Conference of Sichuan Province. She was awarded the Bronze Bauhinia Star by the Chief Executive of Hong Kong SAR in 2013. Ms. Man obtained her Bachelor's Degree in Science from The University of Western Ontario, Canada and her Master's Degree in Business Administration from The University of Windsor in Canada. She is the spouse of Mr. Chan Yu Ling, Abraham, the Group's Chairman, Chief Executive Officer and Executive Director.

Non-executive Director

Mr. Chow, Stanley (周鏡華), aged 56, a Non-executive Director. Mr. Chow has over 21 years of experience as a corporate lawyer in Hong Kong and Canada. From May 1995 to October 1996, Mr. Chow served as a senior manager in the Listing Division of The Stock Exchange of Hong Kong Limited. Mr. Chow joined Allen & Overy, an

international law firm, as an associate in November 1996 and served as a partner in its Hong Kong office from May 2000 to January 2009. Then, Mr. Chow joined the Hong Kong office of Latham & Watkins, another international law firm, where he was a partner and the local department chair of the corporate department in Hong Kong from March 2009 to February 2014 and a member of its Initiatives Committee from March 2012 to February 2014. Mr. Chow is an independent non-executive director of HKBN Ltd. (stock code: 1310). Mr. Chow graduated from Queen's University, Canada with a Bachelor of Commerce (Honours) Degree in May 1986 and obtained a Juris Doctor with Honour Standing from the University of Toronto, Canada in June 1989. Mr. Chow was admitted as a barrister and solicitor in Ontario, Canada in 1991, and in British Columbia, Canada in 1994. He was also admitted as a solicitor in England and Wales in 1994 and in Hong Kong in 1995.

Independent Non-executive Directors

Dr. Chan Kin Keung, Eugene (陳建強), aged 56, is an Independent Non-executive Director. He is an Honorary Clinical Associate Professor of the Faculty of Medicine of The Chinese University of Hong Kong, a Visiting Professor of the Jinan University in the PRC, the President of the Association of Hong Kong Professionals. Dr. Chan has been appointed as a member of the Board of Advisors of Radio Television Hong Kong since 2010, and was appointed the Chairman of the Board in 2016; a member of the Advisory Committee of School of Chinese Medicine of Hong Kong Baptist University, and a member of the Appeal Board on Public Meetings and Procession since 2013; a member of the Quality Education Fund Steering Committee since 2015; and a Council Member of City University of Hong Kong and a member of Witness Protection Review Board (Police) since 2019. He was appointed as the non-official Justice of the Peace by the Chief Executive of Hong Kong SAR. In 2016, he was awarded the Bronze Bauhinia Star by the Government of Hong Kong. He has obtained a Bachelor's Degree in Dental Surgery from the University of Adelaide in Australia and Fellowship of the Faculty of General Dental Practice of Royal College of Surgeons of England.

Mr. Ho Kwok Wah, George (何國華), aged 61, is an Independent Non-executive Director. Mr. Ho has over 20 years of extensive experience in accounting, auditing and financial management. He is a director of Yong Zheng CPA Limited, an accounting firm in Hong Kong, as well as the Director of Hong Kong Shatin Industries and Commerce Association Limited, and Hong Kong Commerce and Industry Associations Limited, respectively. Mr. Ho is also an independent non-executive director of Town Health International Holdings Limited (stock code: 3886), and Rykadan Capital Limited (stock code: 2288). He was awarded Medal of Honour (MH) by the government of Hong Kong SAR in 2015. Mr. Ho obtained a Bachelor's Degree in Accountancy from the Hong Kong Polytechnic University.

Dr. Leung Lim Kin, Simon (梁念堅), aged 65, is an Independent Non-executive Director. Dr. Leung has more than 30 years of extensive experience in both the information technology and telecommunications industries. Dr. Leung is currently a member of the Ivey Asia Advisory Board of the Richard Ivey School of Business, University of Western Ontario, where he is primarily responsible for advising the school

on its mission and strategy in Asia. He is also currently a member of the College Council of Tung Wah College, where he is primarily responsible for determining key governance issues. In 2005, he was appointed as the president of Motorola Asia- Pacific. Since 2008, Dr. Leung has been the Chief Executive Officer of Microsoft Greater China region. From 2009 to 2010, he was the Governor of the Upper Canada College. In 2012, Dr. Leung was appointed as Chief Executive Officer of Harrow International Management Services Limited. Since March 2015, Dr. Leung is appointed as the Vice Chairman and Executive Director of NetDragon Websoft Holdings Limited (stock code: 777) and the Chairman of its subsidiaries including Promethean World Limited, Edmodo, Inc., Cherrypicks and Jumpshot Games, Inc., responsible for the overall strategic layout, direction of technical products and international business operation of all the education-related business of the company. From 2010 to 2015, Dr. Leung was a member of the International Advisory Committee of The Hong Kong Polytechnic University. Dr. Leung received his bachelor's degree in arts from the University of Western Ontario in Canada, an honorary doctorate in laws from the University of Western Ontario in Canada and a doctorate degree of business administration from the Hong Kong Polytechnic University.

Prof. Tsui Lap Chee (徐立之), aged 69, is an Independent Non-executive Director. Prof. Tsui is currently the President of the Academy of Sciences of Hong Kong and the President of Victor and William Fung Foundation. He is also an Independent Non-Executive Director of Hang Lung Group Limited (stock code: 0010). Prior to joining the Group, he was the Vice Chancellor of the University of Hong Kong. Prof. Tsui has over 40 years of research work experience, particularly in human genetics and genomics. Besides, he has over 300 peer-reviewed scientific publications and 65 invited book chapters. He was the recipient of many national and international prizes and was awarded 16 honorary doctoral degrees from universities around the world. He was appointed as the Justice of the Peace in 2006 and was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal by the Chief Executive of Hong Kong SAR in 2011 and 2016 respectively. He received a Doctor of Philosophy Degree from the University of Pittsburgh in the U.S..

Senior Management

Mr. He Ding Xiang (賀定翔), aged 54, is the General Manager, Guizhou Operations and Herbs Planting, Herbal Seeds and Seedlings. He is responsible for the herbs planting of Chinese medicine and projects of herbal seed and seedling plantation. Mr. He joined the Group in March 2017. Mr. He has over 19 years of experience in the plantation of raw Chinese herbs industry. Prior to joining the Group, in July 2002, Mr. He founded Guizhou Changhao Chinese Medicine Development Co., Ltd. (貴州昌昊中藥發展有限公司), a company principally engaged in plantation and trading of raw Chinese herbs, and manufacturing and sale of TCM decoction pieces, and has been its General Manager since then. Mr. He has obtained several provincial and national research awards. Mr. He is the Director of Research Center of national joint engineering of medicinal plant breeding in Southwest China (西南地區藥用植物繁育國家地方聯合工程研究中心), the Vice President of the China Natural Resources Institute of Traditional Chinese Medicine and Natural Medicines Resources Committee (中國自然資源學會天然藥物資源專業委員會), the Vice President of the China Association of Traditional Chinese Medicine Seeds and

Seedlings Professional Committee (中國中藥協會中藥材種子種苗專業委員會), the Vice President of the China Association of Traditional Chinese Medicine Plantation and Breeding Professional Committee (中國中藥協會中藥材種植養殖專業委員會), the Vice President of China Association of Traditional Chinese Medicine Traceability system Professional Committee (中國中藥協會中藥材可追溯體系專業委員會), the Executive Director of the Chinese Society of Traditional Chinese Medicine Resources Branch (中華中醫藥學會中藥資源學分會), the Executive Director of the Forest Management Committee of China Forestry Management Association (中國林業經營協會森林藥材專業委員會) and the Director of Chinese Medicine Culture Research Association Miao Dong medicine culture Branch (中國藥文化研究會苗侗藥文化分會). Mr. He obtained his Bachelor's Degree in Chinese medicine from the Guiyang Traditional Chinese Medicine College (貴陽中醫學院) in 1987.

Ms. Ho Yuk Chun (何玉珍), aged 52, is the General Manager of Nong's® Sales and Marketing. She is responsible for the sales and marketing of Nong's® CCMG products in the Hong Kong market. Ms. Ho joined the Group in January 2005 as Manager, Ethical division. Prior to joining the Group, in 2002, Ms. Ho was an Assistant Customer Service Manager of Watsons Water, a manufacturer of pure distilled water, where she was primarily responsible for customer services for Watsons Water. In 2003, Ms. Ho was an Assistant Business Information Manager and she was responsible for IT project co-ordination and sales administration. She received a Bachelor's Degree in Business from Monash University in Australia in 2002.

Mr. Lau Ka Kuen (劉家權), aged 38, is the Chief Financial Officer and Company Secretary of the Company. He is responsible for the Group's overall financial reporting and operation management, corporate finance and investment activities, investor relations and company secretarial matters. Mr. Lau joined the Group in 2013 as assistant financial controller. Prior to joining the Group, from 2005 to 2011, Mr. Lau was the staff accountant, associate, senior auditor and later on an audit manager in Deloitte Touche Tohmatsu, Hong Kong, a certified public accounting firm in Hong Kong, where he was primarily responsible for audit of companies listed on the Stock Exchange. Mr. Lau was accredited as a Certified Public Accountant by the Hong Kong Institute of Certified Public Accountants in 2007 and a chartered financial analyst by the Chartered Financial Analyst Institute in 2014. He obtained a Bachelor's Degree in business administration in finance and information system from the Hong Kong University of Science and Technology in 2005.

Dr. Norimoto Hisayoshi (範本文哲), aged 50, is the Chief R&D Officer cum General Manager, PuraPharm Japan Corporation, and Vice President of Production and Operation in China. He is primarily responsible for the management of group R&D, operation of PuraPharm Japan Corporation and the health products development, manufacture and sale through the Group's factory based in Osaka, Japan. Dr. Norimoto joined the Group in March 2016 as General Manager of PuraPharm Japan Corporation. Prior to joining the Group, from 2001 to 2016, Dr. Norimoto was head of R&D at Kampo Research Labs of Kracie Pharma, Ltd, one of biggest Kampo pharmaceutical manufacturer in Japan, where he was primarily responsible for overseeing its pharmacological study, drug discovery and new products development. Dr. Norimoto is being invited to act as the

visiting researcher of Japan Ritsumeikan University (drug discovery from natural medicine), and the vice director of Association for Promoting Sustainable Use of Medicinal Resources in Japan and the local chapter coordinator (Japan Region) of Consortium for Globalisation of Chinese Medicine. Dr. Norimoto received a Master's Degree and Ph.D. in pharmaceutical science from the National Toyama Medical and Pharmaceutical University, Japan in 1998 and 2001, respectively.

Mr. Shi Gang (石鋼), aged 64, is the Vice President of Greater China. Mr. Shi joined our Group as the Chief representative of the Beijing representative office and Vice President of the Greater China region in October 2004. He is mainly responsible for liaising with government departments in the PRC with respect to our Group's operation, liaising with the China Food and Drug Administration at the provincial level, obtaining sales approval and monitoring the relevant policies and regulations in the PRC. Prior to joining our Group, Mr. Shi was appointed as the Chief representative of Ryoden (Holdings) Limited (菱電(集團)有限公司) in 1992, a company principally engaged in the elevator business, where he was primarily responsible for human resources and operational management of the Beijing representative office, as well as liaising with government departments and leaders in Beijing on behalf of the board of directors of Ryoden (Holdings) Limited (菱電(集團)有限公司). Mr. Shi was accredited as an electrical engineer in the PRC by The Ministry of Science and Technology of the PRC (中華人民共和國國家科學技術委員會) in November 1994. Mr. Shi received his Bachelor's Degree in journalism from Beijing Renwen University (北京人文大學) (formerly known as Beijing Renwen Hanshou University (北京人文函授大學)) in May 1987. He completed the Beijing Foreign Investment Enterprise senior management training course (北京市外商投資企業中方高級管理人員培訓班) and the Beijing Foreign Investment Enterprise personnel management training course (北京外商投資企業人事管理培訓) organised by the Beijing Personnel Bureau (北京市人事局) in December 1994 and November 1994, respectively.

11. CORPORATE INFORMATION

Registered office	Offshore Incorporations (Cayman) Limited P.O. Box 31119 Grand Pavilion, Hibiscus Way 802 West Bay Road Grand Cayman KY1-1205 Cayman Islands
Headquarters and principal place of business in Hong Kong	Suite 4002, Jardine House 1 Connaught Place Central Hong Kong
Auditor	Ernst & Young, Certified Public Accountants Hong Kong 22/F, CITIC Tower 1 Tim Mei Avenue Central, Hong Kong

Cayman Islands share registrar	Estera Trust (Cayman) Limited Clifton House, 75 Fort Street P.O. Box 1350 Grand Cayman, KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Computershare Hong Kong Investor Services Limited Shops 1712–1716 17th Floor Hopewell Centre 183 Queen’s Road East Wan Chai Hong Kong
Authorised representatives	Mr. Chan Yu Ling, Abraham Mr. Lau Ka Kuen
Company secretary	Mr. Lau Ka Kuen
Underwriter	Raffaello Securities (HK) Limited
Legal adviser to the Company in relation to the Rights Issue	Kwok Yih & Chan
Principal bankers	DBS Bank (Hong Kong) Limited 16th Floor, The Center 99 Queen’s Road Central Central, Hong Kong Industrial Bank Co., Ltd., Nanning Branch 35th Floor, Sankee Plaza, No. 146 Minzu Avenue, Nanning Guangxi, China

12. EXPENSES

The expenses in connection with the Rights Issue, including underwriting commission, printing, registration, translation, legal and accounting fees are estimated to be approximately HK\$7.2 million and are payable by the Company.

13. BINDING EFFECT

The Prospectus Documents and all acceptance of any offer or application contained therein are governed by and shall be construed in accordance with the laws of Hong Kong. The Prospectus Documents shall have the effect, if an application is made pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) so far as applicable.

14. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Prospectus Documents, having attached thereto the written consent referred to in the paragraph headed “Expert and Consent” in this appendix, have been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 5:30 p.m. on any Business Day at the principal place of business of the Company in Hong Kong at Suit 4002, Jardine House, 1 Connaught Place, Central, Hong Kong from the date of this prospectus up to and including the date which is 14 days from the date of this prospectus:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the years ended 31 December 2017 and 31 December 2018;
- (c) the report on the unaudited pro forma financial information on the Group as set out in Appendix II of this prospectus;
- (d) the material contract referred to in the paragraph headed “Material Contract” of this Appendix III;
- (e) the written consent from Ernst & Young referred to in the section headed “Expert and Consent” of this Appendix III; and
- (f) the circular dated 24 July 2019 issued by the Company in relation to the Shareholder’s Loan Capitalisation;
- (g) the Prospectus Documents.

16. MISCELLANEOUS

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