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PuraPharm

PURAPHARM CORPORATION LIMITED

培力控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1498)

CONNECTED TRANSACTION ACQUISITION OF INTELLECTUAL PROPERTIES

The Board is pleased to announce that on 25 August 2020, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Intellectual Properties in the aggregate consideration of HK\$9,900,000.

The Vendor is ultimately owned as to 80% by Mr. Chan, an executive Director and a controlling shareholder of the Company. As such, the Vendor is a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratios in respect of the Acquisition are less than 25% and the total consideration is less than HK\$10,000,000, the Acquisition is subject to the reporting and announcement requirements and exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE SALE AND PURCHASE AGREEMENT

Date: 25 August 2020

Parties to the Sale and Purchase Agreement

- (1) the Purchaser as purchaser
- (2) the Vendor as vendor

The Acquisition

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to sell and assign and the Purchaser agreed to purchase and acquire the Intellectual Properties, which comprise the titles, interests and rights of the Vendor in respect of the Software, namely the Traditional Chinese Medicine Advisor 3.0, which is a Chinese medicine management software developed by the Vendor.

The Software is a cloud-based system mainly used to provide a full range of supporting functions to Chinese medicine practitioners, which assists Chinese medicine practitioners in the provision of diagnostic services in the course of consultation with patients and clinic management including medical records management, medicine inventory level management and patient appointment management services. All of the data stored in the Software can be synchronised to a database in the cloud and real-time access to the data is available at different access points. Subject to the compliance of the applicable laws and regulations, the anonymised data generated from the use of the software by the Group will be transferred from the Purchaser to the Vendor for research and statistical purpose.

Consideration and basis for its determination

The Software were developed and customised by the software engineers of the Vendors according to the operation and the actual needs for the Chinese medicine practitioners and Chinese medicine clinics. The aggregate consideration for the Acquisition is HK\$9,900,000, which was determined after arm's length negotiations between the parties with reference to approximately 17.8% discount of the actual cost of development of the Software incurred by the Vendor. Due diligence was conducted by the Purchaser to ascertain the actual cost of development of the Software. When determining the consideration of the Software, the Purchaser also made reference to (i) the price of commissioning other external parties for developing systems with similar functions; (ii) the estimated amount of time, resources and personnel to be involved if the Software were to be developed by the Group itself; (iii) the nature and features of the Software, (iv) the scale of utilisation of the Software to be deployed by the Group; and (v) the ability of licencing the software to other Chinese medicine practitioners and clinics, which is expected to generate income to the Group by receiving royalties to the licence.

The consideration will be satisfied by the internal resources of the Group and is payable by 18 equal monthly instalments in the next 18 months after the Closing, or in such other manners as mutually agreed by the Vendor and the Purchaser in writing.

INFORMATION ON THE GROUP, THE PURCHASER AND THE VENDOR

The Group is principally engaged in the research and development, production and sale of concentrated Chinese medicine granule (CCMG) products and Chinese healthcare products, plantation and trading of raw Chinese herbs, and the manufacture and sale of traditional Chinese medicine (TCM) decoction pieces as well as the rendering of Chinese medical diagnostic services.

The Purchaser, a wholly-owned subsidiary of the Company, is a company incorporated in Hong Kong with limited liability which is principally engaged in trading of CCMG products.

The Vendor is a limited liability company incorporated in Hong Kong which is principally engaged in the software development business. As at the date of this announcement, it is ultimately owned as to 80% by Mr. Chan, an executive Director and a controlling shareholder of the Company and the remaining 20% interest is owned by two independent third parties. As such, the Vendor is a connected person of the Company for the purpose of the Listing Rules.

REASONS FOR THE TRANSACTION

The Company is of the view that it is in the best interest of the Company to enter into the Acquisition as (i) the clinic management features of the Software are more advanced than the current software system applied by the Group as it supports better inventory, billing and data collection and analysis management; (ii) based on the cloud-based feature of the Software, the application of the Software in the Group's Chinese Medicine Clinic Management System shall further enhance the information technology department of the Group to provide technical support to its Nong's® (農本方)® Chinese Medicine clinics and third party customers, which will in turn increase the operation efficiency of Nong's® (農本方)® Chinese Medicine clinics and customers' loyalty to the products of the Group; (iii) it will be more efficient for the Group to monitor the operation and financial performance of clinics in a centralised way by using the web-based service.

Under the Sale and Purchase Agreement, the Group will acquire the Intellectual Properties, which comprise the titles, interests and rights of the Vendor in respect of the Software. The Group will be able to licence to other Chinese medicine practitioners and clinics which may be interested in using the Software, which is expected to generate income to the Group by receiving royalties to the licence.

The Directors, including the independent non-executive Directors but excluding Mr. Chan and Ms. Man Yee Wai, Viola, who is the spouse and a close associate (as defined in the Listing Rules) of Mr. Chan, who had a material interest in the Acquisition and were abstained from voting at the board resolution, are of the view that the terms of the Sale and Purchase Agreement were concluded after arm's length negotiations under normal commercial terms, not in the ordinary course of business and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Vendor is ultimately owned as to 80% by Mr. Chan, an executive Director and a controlling shareholder of the Company. As such, the Vendor is an associate of Mr. Chan and hence a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratios in respect of the Acquisition are less than 25% and the total consideration is less than HK\$10,000,000, the Acquisition is subject to the reporting and announcement requirements and exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Chan, being the controlling shareholder of the Vendor, and Ms. Man Yee Wai, Viola, who is the spouse and a close associate of Mr. Chan, are considered to be interested in the transaction and had abstained from voting for the Board resolution to approve the Acquisition.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Acquisition”	the acquisition of the Intellectual Properties pursuant to the Sale and Purchase Agreement
“associate”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors of the Company
“Business Day”	means any day (excluding Saturdays and Sunday), on which licensed banks in Hong Kong are generally open for business in Hong Kong throughout their normal business hours
“CCMG”	Concentrated Chinese Medicine Granules
“close associate”	has the meaning ascribed thereto in the Listing Rules
“Closing”	the completion of the sale and purchase of the Intellectual Properties which shall take place within five Business Days of the date of the Sale and Purchase Agreement

“Company”	PuraPharm Corporation Limited, an exempted company incorporated in the Cayman Islands with limited liability, whose issued Shares are listed on the Stock Exchange (stock code: 1498)
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Intellectual Properties”	the titles, interests and rights of the Vendor on the Software
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chan”	Mr. Chan Yu Ling, Abraham, an executive Director and a controlling shareholder of the Company
“Purchaser”	Nong’s Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the sale and purchase agreement entered into between the Purchaser and Vendor on 25 August 2020 in respect of the sale and purchase of the Intellectual Properties
“Share(s)”	share(s) of US\$0.1 each in the capital of the Company (or of such other nominal amounts as shall result from a subdivision, consolidation, reclassification or reconstruction of the share capital of the Company from time to time)
“Shareholder(s)”	shareholder(s) of the Company
“Software”	a Chinese medicine management software developed by the Vendor, namely the Traditional Chinese Medicine Advisor 3.0

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto in the Listing Rules
“US\$”	United States dollars, the lawful currency of United States of America
“Vendor”	Herbminers Informatics Limited, a limited liability company incorporated in Hong Kong, which is ultimately owned as to 80% by Mr. Chan and the remaining 20% owned by two independent third parties
“%”	per cent

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

Hong Kong, 25 August 2020

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