



PuraPharm

PuraPharm Corporation Limited
培力控股有限公司

Stock code 股票代號 : 1498



2016 INTERIM REPORT 中期報告

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Chan Yu Ling, Abraham (*Chairman*)
Dr. Tsoi Kam Biu, Alvin (*Vice-Chairman*)
Mr. Chan Lung Sang (appointed on 22 August 2016)
Mr. Leung Chin Man (resigned on 22 August 2016)
Ms. Man Yee Wai, Viola

NON-EXECUTIVE DIRECTOR

Mr. Chan Kin Man, Eddie

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

Mr. Ho Kwok Wah, George (*Chairman*)
Mr. Chan Kin Man, Eddie
Dr. Leung Lim Kin, Simon

NOMINATION COMMITTEE

Mr. Chan Yu Ling, Abraham (*Chairman*)
Dr. Chan Kin Keung, Eugene
Dr. Leung Lim Kin, Simon

REMUNERATION COMMITTEE

Dr. Chan Kin Keung, Eugene (*Chairman*)
Dr. Tsoi Kam Biu, Alvin
Prof. Tsui Lap Chee

SCIENTIFIC ADVISORY COMMITTEE

Prof. Paul Vanhoutte (*Chairman*)
Prof. Rudolf Bauer
Mr. Chan Yu Ling, Abraham
Prof. Bill Chan
Prof. Peter Hylands
Prof. Liang Song Ming
Mr. Lin Jinn Sin
Prof. Bruce Robinson

COMPANY SECRETARY

Mr. Cheng Hok Kai, Frederick (FCPA)

AUTHORIZED REPRESENTATIVES

Mr. Cheng Hok Kai, Frederick
Mr. Chan Yu Ling, Abraham
(appointed on 22 August 2016)
Mr. Leung Chin Man (resigned on 22 August 2016)

INVESTOR RELATIONS

Mr. Cheng Hok Kai, Frederick

AUDITOR

Ernst & Young
Certified Public Accountants

LEGAL ADVISOR

Sidley Austin (As to Hong Kong law)
Appleby (As to Cayman Islands law)

COMPLIANCE ADVISOR

Southwest Securities (HK) Capital Limited

REGISTERED OFFICE

Offshore Incorporations (Cayman) Limited
Floor 4, Willow House
Cricket Square, P O Box 2804
Grand Cayman KY1-1112
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Industrial Bank Co., Ltd., Nanning Xingcheng branch

HONG KONG SHARE REGISTRAR

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

CAYMAN ISLANDS SHARE REGISTRAR

Esteria Trust (Cayman) Limited
(formerly known as "Appleby Trust (Cayman) Ltd.")
Clifton House, 75 Fort Street
P.O. Box 1350
Grand Cayman, KY1-1108
Cayman Islands

SHARE INFORMATION

Date of listing: 8 July 2015
Place of incorporation: Cayman Islands
Place of listing: Main Board of The Stock Exchange
of Hong Kong Limited
Stock Code: 1498
Board lot: 500 shares
Financial year end: 31 December

COMPANY'S WEBSITE

www.purapharm.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

PuraPharm Corporation Limited (the "Company") and its subsidiaries (together with the Company referred to as the "Group") continues to expand the business segment of Chinese medicine clinics under the Nong's® (農本方®) brand. As at the date of this report, the Group operates 40 Nong's® (農本方®) clinics in Hong Kong whereas there were 14 Nong's® (農本方®) clinics as at 30 June 2015. The number of clinics operated by the Group has been substantially increased which is a testament to the Group's extreme confidence in this business.

PROSPECTS

To fuel future growth, the Group continues to strengthen its leading position in the Concentrated Chinese Medicine Granules ("CCMG") product market in Hong Kong and significantly expand its presence in Mainland China. In view of the huge demand for convenient access to CCMG by patients and leveraging the success of the Group's Nong's® (農本方®) clinic business model in Hong Kong, the Group is in the process of establishing its Nong's® (農本方®) clinics model in Mainland China and overseas market in selected regions. The Group recently obtained the Approval for the Establishment of Medical Institutions from the Guangxi Zhuang Autonomous Region Health and Family Planning Commission (廣西壯族自治區衛生和計劃生育委員會), to set up its first Nong's® (農本方®) clinic in China. The first Nong's® (農本方®) clinic in Canada is expected to start operation in third quarter of 2016.

Leveraging its strong brand recognition in Hong Kong as well as its competitive strengths including product quality, safety and operational expertise, the Group continues to replicate its successful business model in the CCMG market in China. In July 2016, the Group entered into distribution agreement with a subsidiary of Yunnan Baiyao Group Co., Limited (雲南白藥集團股份有限公司) ("Yunnan Baiyao") and appointed it as exclusive distributor for CCMG products in Yunnan province. The strategic partnership with provincial distributors, who have strong and experienced teams to sell and distribute Traditional Chinese Medicine ("TCM") throughout Mainland China, enables the Group to expand its geographical reach into the new target cities to capture the tremendous opportunities.

With its proven research and development capabilities, the Group will maintain its leading market position through developing and commercialising new products. The clinical trial of two new drug products, namely Ren Shu Chang Le Granules (仁術腸樂顆粒) and Puerarin Phospholipids Complex Capsules (葛根素磷脂複合物膠囊), are expected to be completed by 2020. Also, in order to drive a successful offline-to-online (O to O) business model, the Group will establish its own concept stores in Hong Kong and China to enhance its distinctive and quality brand image and to capture the immense healthcare products market through the integrated online sales platform.

APPRECIATION

Last but not least, I wish to express my sincere appreciation to the shareholders, customers and business partners for their unwavering support and trust over the years. I would also like to extend my heartfelt gratitude to my fellow directors and our employees for their dedication.

By Order of the Board

Chan Yu Ling, Abraham
Chairman
Hong Kong, 22 August 2016

* Source: Euromonitor Report



CORPORATE PROFILE

The Group is a leading Hong Kong-based Chinese medicine company primarily engaged in the research and development, production, marketing and sale of CCMG products marketed under its brand “Nong's® (農本方®)”. The Group is one of the only five, and the only non-PRC company that is licensed by the China Food and Drug Administration (the “CFDA”) to manufacture and sell CCMG products in China. Further, the Group is qualified to issue safety reports recognized by more than 70 countries around the world through its in-house China National Accreditation Service for Conformity Assessment (the “CNAS”) ISO 17025 laboratory. The Group has been supplying CCMG to the majority of Hong Kong hospitals and healthcare institutions with TCM clinics since 2004. The Group is the leading and the largest supplier of CCMG products in Hong Kong with a market share of 70%*.

Since its founding in 1998, the Group has dedicated itself to the modernisation and internationalisation of TCM. Actively collaborating with internationally renowned academic and research institutions, the Group has established itself as the technological front-runner within the industry. Through continuous innovation, the Group has come to be regarded as a leading company in the research and development, manufacturing, marketing and selling, quality control and basic science research of TCM.

The Group has invested in TCM research and production facilities in Nanning, Guangxi, China. The factory complies with the PRC Good Manufacturing Practise (“GMP”) standards as well as the Australia Therapeutic Goods Administration (“TGA”) standards — the latter being one of the strictest certification standards in the world. The Group’s laboratory is certified by the CNAS, the international multilateral recognition system that is equivalent to an accreditation in accordance with the ISO 17025 standards. The Group's manufacturing facilities are regarded as one of the most advanced TCM research and manufacturing facilities in Asia.

With innovative insights and advanced technologies, the Group has also developed a series of over-the-counter health products, among which, brands such as PuraGold® (金靈芝)®, Oncozac® (安固生)® and Haveron® (烏髮濃)® enjoy great popularity both in Hong Kong and overseas.

CORPORATE STRENGTHS

- The Group is the market leader in the CCMG market in Hong Kong where its products are widely recognised for their premium product quality, reliability and safety.
- The Group offers an extensive range of modernised CCMG products including single formulae and combo formulae products, and a proprietary, patented and automated clinic and hospital management and dispensing system to provide a total Chinese medicine solution for its customers and end users.
- The Group's modernised manufacturing facilities, coupled with its strong capabilities in medical product safety testing and stringent quality control during the manufacturing process, have enabled it to ensure premium product quality and safety.
- The Group is a pioneering research and development company dedicated to the modernisation and internationalisation of Chinese medicine and its proven track record in the development of new TCM products, in particular CCMG combo formulae products, differentiates it from its competitors.

* In terms of prescription revenue in 2014 according to the Euromonitor Report.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW Sales Performance

	Six months ended 30 June			
	2016		2015	
	Revenue HK\$'000 (Unaudited)	% of total	Revenue HK\$'000 (Unaudited)	% of total
China CCMG	87,106	41.0%	82,867	44.4%
Hong Kong CCMG	80,329	37.8%	72,217	38.6%
Chinese Healthcare products	22,653	10.8%	26,179	14.0%
Nong's® (農本方®) Chinese medicine clinics	22,161	10.4%	5,639	3.0%
Total	212,249	100.0%	186,902	100.00%

The Group's revenue for the six months ended 30 June 2016 was HK\$212.2 million, representing an increase of HK\$25.3 million or 13.6% compared to HK\$186.9 million for the corresponding period of last year. The revenue growth was mainly attributable to the moderate growth of the Group's CCMG products in both Mainland China and Hong Kong market, and fast expansion of the Group's Nong's® (農本方®) Chinese medicine clinics in Hong Kong.

China CCMG

In addition to the appointment of Heilongjiang ZBD Pharmaceutical Co. Ltd., as its exclusive distributor for CCMG products in five provinces in China, namely, Heilongjiang, Anhui, Liaoning, Hebei and Henan, the Group has further appointed Yunnan Baiyao as its exclusive distributor for CCMG products in Yunnan province in China recently. By leveraging on the collaboration with the distributors with strong customer base in regions where the appointed distributors have strong presence, the Group can increase the effectiveness of launching and selling its products in such regions within a short period of time.

During the six months ended 30 June 2016, the Group restructured its sales force and resources, focusing them more on target regions in Mainland China in which the Group sees high growth potential. Due to the restructuring of the China sales team and fine-tuning its sales strategies for achieving the long term growth, revenue growth of the Group's CCMG products in Mainland China experienced a moderate growth rate of 5.1% during the six months ended 30 June 2016 compared to the corresponding period of last year.

HK CCMG

The Group continued to maintain its leading market position in Hong Kong and recorded a steady growth of revenue from the direct sales of CCMG products to its customers comprising hospitals, Chinese medicine clinics, non-profit organisations and private Chinese medicine practitioners. During the six months ended 30 June 2016, the direct sales of CCMG products in Hong Kong was HK\$80.3 million, representing an increase of HK\$8.1 million or 11.2% compared to HK\$72.2 million in the corresponding period of last year.

Nong's® (農本方®) Chinese medicine clinics

During the six months ended 30 June 2016, the sales of CCMG products and provision of Chinese medical diagnostic services from the Group's Nong's® (農本方®) Chinese medicine clinics generated revenue of HK\$22.2 million in aggregate, representing an increase of HK\$16.5 million or 293.0% compared to HK\$5.6 million in the corresponding period of last year, which was mainly attributable to the fast expansion of the Nong's® (農本方®) Chinese medicine clinics network. The Group operated 37 clinics for the period under review, as compared to 14 for the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Group opened 7 new Nong's® (農本方®) Chinese medicine clinics in Hong Kong, and continues to be the largest TCM clinic chain in Hong Kong. As one of the growth engines of the Group's business, it will continue to open more new Nong's® (農本方®) Chinese medicine clinics in Hong Kong, and replicate the successful clinic model in China and overseas market in the future.

Chinese healthcare products

During the six months ended 30 June 2016, revenue from sales of Chinese healthcare products was HK\$22.7 million, representing a decrease of HK\$3.5 million or 13.5% compared to HK\$26.2 million in the corresponding period of last year. The decrease was due to the slowdown of retail market under the unfavorable economic environments. Despite the drop in the revenue of Chinese healthcare products, the sales of Nong's® Flu Formula and Nong's® Cough Formula products still experienced an outstanding growth during the period under review. The Group will devote more marketing resources to improve the sales of Chinese healthcare products in second half of 2016.

Profitability

	Six months ended 30 June		Growth Rate
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	
Revenue	212,249	186,902	13.6%
Cost of sales	(70,641)	(67,902)	4.0%
Gross Profit	141,608	119,000	19.0%
Gross profit margin	66.7%	63.7%	

The Group profit margin for the six months ended 30 June 2016 was approximately 66.7%, representing an increase of three percentage gross points compared to 63.7% in the corresponding period of last year. The average selling price and unit cost remained stable during the period under review, the increase in the gross profit margin was mainly attributable to the increase in portion of revenue generated from direct sales of CCMG to hospitals and medical institutions in China, and Nong's® (農本方®) Chinese medicine clinics from which the Group generated a higher gross profit margin.

Other income and gains

The Group's other income and gains mainly comprised of government grants, gain from sale of equipment and accessories and interest income. For the six months ended 30 June 2016, the Group's other income and gain was HK\$6.9 million, representing an increase of HK\$3.9 million or 130.4% compared to HK\$3.0 million for the corresponding period of last year. The increase was mainly due to more in government grants received and gain from sale of equipment and accessories.



Selling and distribution expenses

The Group's selling and distribution expenses mainly comprised of advertising and promotion expenses, sales and marketing staff costs, delivery and storage costs, depreciation expense, travel and business development expenses, and sales and marketing departmental expenses. For the six months ended 30 June 2016, the Group's selling and distribution expenses was HK\$65.5 million, representing an increase of HK\$7.5 million or 13.0% compared to HK\$58.0 million for the corresponding period of last year. The increase was mainly attributable to (i) increased advertising and promotional activities to strengthen the presence of the Group's products and brands, and (ii) increase in our in-house sales and marketing personnel head count to strengthen our sales team for business development and enhancing services to customers. For the six months ended 30 June 2016, selling and distribution expenses as a percentage to revenue remained stable at 30.9%, as compared to 31.0% for the corresponding period of last year.

Administrative expenses

The Group's administrative expenses mainly comprised of staff costs, research and development costs, office and clinics rental expenses, legal and professional fees, clinic management fee, depreciation and amortisation, and other general administrative expenses. For the six months ended 30 June 2016, the Group's administrative expenses was HK\$66.3 million, representing an increase of HK\$4.4 million or 7.0% compared to HK\$61.9 million for the corresponding period of last year. The increase was mainly attributable to (i) increase in clinic management fee, rental expenses and relevant clinic operating expenses in relation to the Group's Nong's® (農本方®) Chinese medicine clinics as the number of clinics more than double during the period under review compared to the corresponding period of last year, (ii) an increase in staff costs due to recruitment of senior management and staffs to strengthen the supply chain management and information technology infrastructure to enhance the efficiency of the Group's operation, as the Group recognises the importance of building the strong foundation to substantiate the long term growth, and (iii) increase in administrative expenses for setting up new offices and operations in Shanghai, Canada and Australia.

Other expenses

The Group's other expenses mainly comprised of voluntary charity donation, foreign exchange loss and miscellaneous expenses. The Group's other expenses remained stable during the period under review as compared to the corresponding period of last year.

Finance costs

For the six months ended 30 June 2016, the Group's finance costs amounted to HK\$4.6 million, representing a decrease of HK\$1.4 million or 23.7% as compared to HK\$6.0 million for the correspondence period of last year. The decrease was mainly due to the decrease in effective interest rate on bank borrowings during the six months ended 30 June 2016 as compared to the corresponding period of last year.

Income tax expense

For the six months ended 30 June 2016, the Group's income tax expenses amounted to HK\$2.1 million, representing a decrease of HK\$0.3 million or 10.8% as compared to HK\$2.4 million for the correspondence period of last year. The decrease was mainly due to the decrease in taxable profit as a result of increased operating costs for new business segments development.

CAPITAL EXPENDITURE

The Group's capital expenditures primarily comprised of payments and deposits for purchase of property, plant and equipment, land use rights and intangible assets. During the six months ended 30 June 2016, the total capital expenditure was HK\$35.1 million (six months ended 30 June 2015: HK\$31.6 million). The capital expenditures during the period under review were mainly incurred for acquisition of production equipment and enhancement of existing production line, and also acquisition of intellectual properties in respect of the two Chinese medicines management software for clinic operation.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group had net current assets of HK\$266.5 million (31 December 2015: HK\$315.2 million), which included cash and cash equivalent of HK\$232.5 million (31 December 2015: HK\$232.2 million) and interest-bearing bank borrowings amounting to HK\$237.4 million (31 December 2015: HK\$125.4 million). As at 30 June 2016, the Group's unused bank facilities amounted to HK\$201.2 million (31 December 2015: HK\$114.1 million).

GEARING RATIO

As at 30 June 2016, the gearing ratio of the Group, which is calculated by dividing total interest-bearing bank borrowings by total equity, increased to 0.5 from 0.3 as at 31 December 2015. The increase was primarily due to additional loans taken by the Group during the period under review.

EXCHANGE RISK

The Group conducts business primarily in Hong Kong and China with most of its transactions denominated and settled in Hong Kong dollars and Renminbi. Currently, the Group has not entered into any foreign exchange contracts to hedge against the fluctuations in exchange rate between Renminbi and Hong Kong dollars. However, the Group monitors foreign exchange exposure regularly and considers if there is a need to hedge against significant foreign currency exposure when necessary.

HUMAN RESOURCES

As at 30 June 2016, the Group had a total of 512 employees (31 December 2015: 469 employees). During the six months ended 30 June 2016, total staff costs excluding Directors' remuneration was HK\$53.4 million (six months ended 30 June 2015: HK\$42.5 million). The Group offers a competitive remuneration package to its employees, including mandatory retirement funds, insurance and medical coverage. In addition, discretionary bonus, share options and share awards may be granted to eligible employees based on the Group's and individual's performance. The Group also allocated resources for providing continuing education and training for management and employees so as to improve their skills and knowledge.

CAPITAL COMMITMENTS

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Lands and buildings	47,485	48,582
Machineries and equipment	16,884	3,257
Intangible assets	–	709
Total	64,369	52,548

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2016.



USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the initial public offering in July 2015, after deduction of related issuance expenses, amounted to approximately HK\$288.4 million. As at 30 June 2016, the Group had utilised approximately HK\$74.3 million of the net proceeds in accordance with the proposed applications set out in the Company's listing prospectus, as follows:

Use	Approximate amount of net proceeds (in HK\$ million)	Approximate percentage of net proceeds	Approximate amount utilized (in HK\$ million)
To expand manufacturing facilities and enhance existing production lines	86.5	30.0%	16.7
To establish new Nong's® Chinese medicine clinics in Hong Kong and the PRC	72.1	25.0%	20.4
To expand distribution network into new target cities in the PRC	57.7	20.0%	6.2
To fund the development and launch of two new proprietary Chinese medicine products	43.3	15.0%	2.2
Additional working capital of the Group	28.8	10.0%	28.8
	288.4	100.0%	74.3



DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2016, the Directors and chief executives of the Company had the following interests in the shares (the "Shares"), underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of Director	Nature of Interest	Number of Shares held or interested ⁽¹⁾	Percentage of the Company's issued share capital
Mr. Chan Yu Ling, Abraham ("Mr. Abraham Chan")	Interest of controlled corporations	128,852,500 (L) ⁽²⁾⁽³⁾	57.27%
	Beneficial owner	267,500 (L)	0.12%
	Interest of spouse	51,566,500 (L) ⁽⁴⁾	22.92%
Ms. Man Yee Wai, Viola ("Ms. Viola Man")	Interest of a controlled corporation	51,566,500 (L) ⁽⁵⁾	22.92%
	Interest of spouse	129,120,000 (L) ⁽⁶⁾	57.39%
Mr. Chan Kin Man, Eddie ("Mr. Eddie Chan")	Interest of controlled corporations	3,125,000 (L) ⁽⁷⁾	1.39%

Notes:

- The letter "L" denotes the person's long position in such securities.
- Mr. Abraham Chan beneficially owns 50% of the issued share capital of Joint Partners Investments Limited ("Joint Partners"), which in turn wholly owns the entire issued capital of PuraPharm Corporation Limited ("PuraPharm Corp"), a limited liability company incorporated in the British Virgin Islands on 5 May 1998. PuraPharm Corp owns 51,566,500 Shares. By virtue of the SFO, Mr. Abraham Chan is deemed to be interested in the Shares held by PuraPharm Corp.
- Mr. Abraham Chan beneficially owns the entire issued share capital of Fullgold Development Limited ("Fullgold Development"), which in turn owns 77,286,000 Shares. By virtue of the SFO, Mr. Abraham Chan is deemed to be interested in the Shares held by Fullgold Development.
- Mr. Abraham Chan is the spouse of Ms. Viola Man. By virtue of the SFO, Mr. Abraham Chan is deemed to be interested in the Shares held by Ms. Viola Man.
- Ms. Viola Man beneficially owns 50% of the issued share capital of Joint Partners, which in turn wholly owns the entire issued capital of PuraPharm Corp. PuraPharm Corp owns 51,566,500 Shares. By virtue of the SFO, Ms. Viola Man is deemed to be interested in the Shares held by PuraPharm Corp.
- Ms. Viola Man is the spouse of Mr. Abraham Chan. By virtue of the SFO, Ms. Viola Man is deemed to be interested in the Shares held by Mr. Abraham Chan.
- Mr. Eddie Chan wholly owns the entire issued share capital of Best Revenue Investments Limited ("Best Revenue") and K.M. Chan & Co. Limited ("KM Chan"), which in turn owns 1,562,500 Shares and 1,562,500 Shares, respectively. By virtue of the SFO, Mr. Eddie Chan is deemed to be interested in the Shares held by Best Revenue and KM Chan.

Save as disclosed above, as at 30 June 2016, none of the Directors, chief executives of the Company and/or their respective associates had any personal, family, corporate or other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2016, so far as was known to the Directors, the following entity (not being the Director or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company, its Group members and/or associated corporations which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of entity	Nature of Interest	Number of Shares held or interested ⁽¹⁾	Percentage of the Company's issued share capital
PuraPharm Corp	Beneficial owner	51,566,500 (L)	22.92%
Joint Partners	Interest of a controlled corporation	51,566,500 (L) ⁽²⁾	22.92%
Fullgold Development	Beneficial owner	77,286,000 (L)	34.35%

Notes:

- The letter "L" denotes the person's long position in such securities.
- PuraPharm Corp is wholly owned by Joint Partners. By virtue of the SFO, Joint Partners is deemed to be interested in the Shares held by PuraPharm Corp.

Save as disclosed above, as at 30 June 2016, no person, other than Directors or chief executive of the Company, had registered an interest or short position in the Shares, underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") to recognise and acknowledge the contributions that the eligible participants had or may have made to the Group. The principal terms of the Scheme are summarised in note 20 to the interim condensed consolidated financial Statement.

The Scheme was adopted on 12 June 2015 and unless otherwise cancelled or amended, will remain in force for a period of 10 years to 11 June 2025.

Since the adoption of the Scheme, no share options were granted, exercised or cancelled by the Company under the Scheme. There were no outstanding share options under the Scheme as at the date of this interim report.



DISCLOSURE OF INTERESTS

SHARE AWARD SCHEME

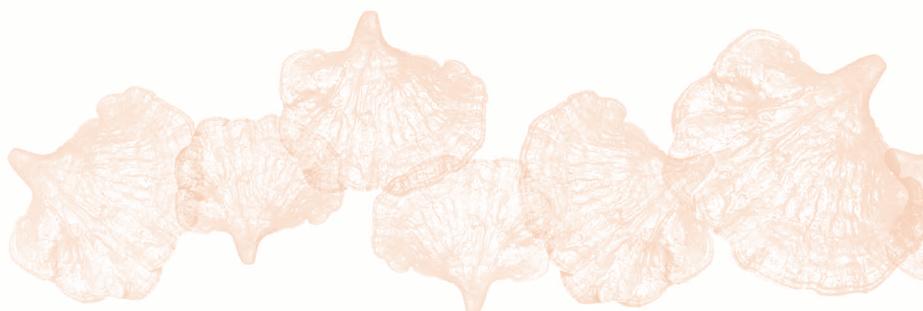
The board of directors of the Company (the "Board") adopted a Share Award Scheme on 22 February 2016 (the "Award Scheme") in which any employee and non-executive Director of the Company and/or any member of the Group who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any member of the Group (the "Eligible Award Participants") will be entitled to participate. The purposes of the Award Scheme are:

1. to recognise and motivate the contributions by certain Eligible Award Participants and to give incentives thereto in order to retain them for the continual operation and development of the Group;
2. to attract suitable personnel for further development of the Group; and
3. to provide certain Eligible Award Participants with a direct economic interest in attaining a long-term relationship between the Group and certain Eligible Award Participants.

The Group has set up a trust (the "Share Award Scheme Trust") for the purpose of administering the Share Award Scheme. The Share Award Scheme Trust will acquire the Company's shares from the Stock Exchange, with a maximum amount of funds to be allocated by the Board, and hold such Shares until they are vested. Unless early terminated by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date.

The Board has further resolved in February 2016 that a sum of HK\$10,000,000 be provided for the purchase of the Shares to be awarded to the Eligible Award Participants to be selected by the Board. During the six months ended 30 June 2016, the Share Award Scheme Trust purchased a total of 2,240,000 Shares through the Stock Exchange for an aggregate consideration of approximately HK\$7,375,000 (including transaction costs).

As at 30 June 2016, the Share Award Scheme Trust held 2,240,000 Shares (2015: Nil). No Shares were granted to the Eligible Award Participants during the six months ended 30 June 2016.



CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability.

The Company has adopted the code provisions stated in the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules. Throughout the six months ended 30 June 2016, save as disclosed below, the Company has complied with all applicable code provisions set out in the Code.

Pursuant to provision A.2.1 of the Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. However, due to the nature and extent of the Group's operations and Mr. Abraham Chan's in-depth knowledge and experience in Chinese medicine and healthcare products and his familiarity with the operations of the Group, the Company considers that it is not preferable to find an alternative candidate to replace Mr. Abraham Chan and serve in either of the positions at this stage. As such, the role of the chairman and chief executive officer of the Company are not being separated pursuant to the requirement under A.2.1 of the Code.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 12 June 2015 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Code. The Audit Committee consists of two independent non-executive Directors and one non-executive Director, Mr. Ho Kwok Wah, George (being the chairman of the Audit Committee who has a professional qualification in accountancy), Dr. Leung Lim Kin, Simon and Mr. Chan Kin Man, Eddie. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process, to develop and review the Group's policies and to perform other duties and responsibilities as assigned by our Board. The Audit Committee discussed the accounting principles and policies adopted by the Group together with the management and the external auditors.

REVIEW OF THE INTERIM RESULTS

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2016 has been reviewed by the auditors of the Company, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 — "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The interim report of the Group for the six months ended 30 June 2016 has also been reviewed and passed by the Audit Committee.

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by Directors. All Directors confirmed that, having made specific enquiries of all Directors, they have complied with the required standard of dealing as set out in the Model Code throughout the six months ended 30 June 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save for the 2,240,000 Shares purchased through the Stock Exchange by the Share Award Scheme Trust, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities throughout the six months ended 30 June 2016.

INTERIM DIVIDEND

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2016.

INDEPENDENT REVIEW REPORT



To the board of directors of PuraPharm Corporation Limited
(Incorporated in Cayman Island with limited liability)

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial statements of PuraPharm Corporation Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 15 to 42, which comprises the interim condensed consolidated statement of financial position as at 30 June 2016 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months then ended (the "Reporting Period"), and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provision there of and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors of the Company are responsible for the preparation and presentation of this interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim condensed consolidated financial statements performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong
22 August 2016

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
REVENUE	5	212,249	186,902
Cost of sales		(70,641)	(67,902)
Gross profit		141,608	119,000
Other income and gains	5	6,943	3,014
Selling and distribution expenses		(65,496)	(57,985)
Administrative expenses		(66,271)	(61,919)
Other expenses		(1,804)	(1,333)
Finance costs	7	(4,594)	(6,018)
PROFIT/(LOSS) BEFORE TAX	6	10,386	(5,241)
Income tax expense	8	(2,101)	(2,355)
PROFIT/(LOSS) FOR THE PERIOD		8,285	(7,596)
Attributable to owners of the parent		8,285	(7,596)
EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic and diluted (expressed in HK cents per share)	10	3.7	(4.5)



INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	8,285	(7,596)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	174	248
Income tax effect	(29)	(41)
	145	207
Exchange differences on translation of foreign operations	(4,654)	(473)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(4,509)	(266)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,776	(7,862)
Attributable to owners of the parent	3,776	(7,862)



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	103,512	93,713
Prepaid land lease payments		24,379	25,253
Intangible assets		24,276	8,939
Available-for-sale investments	12	13,522	13,348
Prepayments for non-current assets	15	7,090	8,035
Deferred tax assets		7,976	6,872
Total non-current assets		180,755	156,160
CURRENT ASSETS			
Inventories	13	127,051	107,987
Trade and bills receivables	14	154,179	161,018
Prepayments, deposits and other receivables	15	47,223	33,924
Pledged bank deposits		11,000	6,000
Cash and cash equivalents	16	232,544	232,243
Total current assets		571,997	541,172
CURRENT LIABILITIES			
Trade payables	17	32,737	38,091
Other payables and accruals		32,933	56,468
Interest-bearing bank borrowings	18	237,363	125,431
Tax payable		1,008	4,668
Government grants		1,480	1,294
Total current liabilities		305,521	225,952
NET CURRENT ASSETS		266,476	315,220
TOTAL ASSETS LESS CURRENT LIABILITIES		447,231	471,380



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Government grants		1,027	1,497
Deferred tax liabilities		29	173
Total non-current liabilities		1,056	1,670
Net assets		446,175	469,710
EQUITY			
Equity attributable to owners of the parent			
Share capital	19	174,375	174,375
Shares held for share award scheme	20(b)	(7,375)	–
Reserves	21	279,175	295,335
Total equity		446,175	469,710

Director

Director



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent											
	Share capital HK\$'000 (note 19)	Share premium account HK\$'000 (note 19)	Shares held for share award scheme HK\$'000 (note 20(b))	Merger reserve HK\$'000 (note 21)	Surplus reserves HK\$'000 (note 21)	Capital reserve HK\$'000 (note 21)	Available- for-sale investment revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000		
											Available- for-sale	
											investment revaluation reserve	Exchange fluctuation reserve
At 1 January 2016 (audited)	174,375	170,552	-	1,814	24,685	(7,505)	124	280	105,385	469,710		
Profit for the period	-	-	-	-	-	-	-	-	8,285	8,285		
Other comprehensive income for the year:												
Changes in fair value of available- for-sale investments, net of tax	-	-	-	-	-	-	145	-	-	145		
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(4,654)	-	(4,654)		
Total comprehensive income for the period	-	-	-	-	-	-	145	(4,654)	8,285	3,776		
Final 2015 dividend	-	-	-	-	-	-	-	-	(19,936)	(19,936)		
Purchase of shares held for share award scheme	-	-	(7,375)	-	-	-	-	-	-	(7,375)		
At 30 June 2016 (unaudited)	174,375	170,552*	(7,375)	1,814*	24,685*	(7,505)*	269*	(4,374)*	93,734*	446,175		

* These reserve accounts comprise the consolidated reserves of HK\$279,175,000 (31 December 2015: HK\$295,335,000) in the interim condensed consolidated statement of financial position as at 30 June 2016.

	Attributable to owners of the parent											
	Share capital HK\$'000 (note 19)	Merger reserve HK\$'000 (note 21)	Surplus reserves HK\$'000 (note 21)	Capital reserve HK\$'000 (note 21)	Available- for-sale investment revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interest HK\$'000	Total equity HK\$'000		
											Available- for-sale	
											investment revaluation reserve	Exchange fluctuation reserve
At 1 January 2015 (audited)	30,000	1,814	19,932	(7,624)	301	9,586	81,680	135,689	124	135,813		
Profit for the period	-	-	-	-	-	-	(7,596)	(7,596)	-	(7,596)		
Other comprehensive income for the period:												
Changes in fair value of available-for-sale investments, net of tax	-	-	-	-	207	-	-	207	-	207		
Exchange differences on translation of foreign operations	-	-	-	-	-	(473)	-	(473)	-	(473)		
Total comprehensive income for the period	-	-	-	-	207	(473)	(7,596)	(7,862)	-	(7,862)		
Acquisition of non-controlling interests	-	-	-	119	-	-	-	119	(124)	(5)		
At 30 June 2015 (unaudited)	30,000	1,814	19,932	(7,505)	508	9,113	74,084	127,946	-	127,946		

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:		10,386	(5,241)
Adjustments for:			
Finance costs	7	4,594	6,018
Foreign exchange loss, net	6	610	55
Loss on disposal of items of property, plant and equipment	6	36	96
Depreciation	6	6,846	6,996
Amortisation of prepaid land lease payments	6	269	39
Amortisation of intangible assets	6	1,110	543
Write-down of inventories to net realisable value	6	241	1,526
Bank interest income	5	(431)	(351)
		23,661	9,681
Increase in inventories		(19,693)	(17,340)
Decrease in trade and bills receivables		5,992	8,272
Increase in prepayments, deposits and other receivables		(12,453)	(2,387)
Decrease in trade payables		(5,299)	(7,393)
Decrease in government grants		(282)	(416)
Increase/(decrease) in other payables and accruals		(24,640)	3,820
Cash used in operations		(32,714)	(5,763)
Interest received		431	351
Hong Kong income tax paid		(703)	–
PRC corporate income tax paid		(7,289)	(5,179)
Net cash flows used in operating activities		(40,275)	(10,591)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(21,632)	(10,209)
Proceeds from disposal of items of property, plant and equipment		–	411
Purchase of intangible assets		(13,493)	(2,692)
Prepayment for acquisition of prepaid land lease payments		–	(18,731)
Advances to a director		–	(432)
Repayments from a director		–	254
Repayment from related companies		–	240
Advances to the immediate holding company		–	(365)
(Increase)/decrease in pledged deposits		(5,000)	6,876
Net cash flows used in investing activities		(40,125)	(24,648)

		Six months ended 30 June	
	Notes	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans borrowings		227,714	213,264
Repayment of bank loans		(113,725)	(201,906)
Interest paid		(4,594)	(6,018)
Purchase of shares held for share award scheme	20(b)	(7,375)	–
Dividends paid	9	(19,936)	–
Net cash flows generated from financing activities		82,084	5,340
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		232,243	30,675
Effect of foreign exchange rate changes, net		(1,383)	(293)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		232,544	483
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	16	232,544	22,438
Bank overdrafts		–	(21,955)
Cash and cash equivalents as stated in the interim condensed consolidated statements of cash flows		232,544	483



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION AND REORGANISATION

PuraPharm Corporation Limited (the "Company") was incorporated as an exempted company with limited liability under the Companies Law, Cap 22 of the Cayman Islands on 2 December 2011. The registered office address is Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands.

The Company is an investment holding company. During the six months ended 30 June 2016 (the "Reporting Period"), the Company and its subsidiaries (the "Group") were principally engaged in the research, development, production and sale of concentrated Chinese medicine granule ("CCMG") products and Chinese healthcare products, as well as rendering of Chinese medical diagnostic services.

In the opinion of the board (the "Board") of directors of the Company (the "Directors"), the ultimate holding company is Fullgold Development Limited, which was incorporated in BVI and is wholly owned by Mr. Abraham, Chan Yu Ling ("Mr. Abraham Chan"), the founder of the Group.

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2016 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

These unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

They have been prepared under the historical cost convention, except for available-for-sale investments, which have been measured at fair value. The unaudited interim condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the Reporting Period. The financial statements of the subsidiaries are prepared for the same Reporting Period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interest, even if this results in the non-controlling interest having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2. BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (the "HKFRSs") (which also include Hong Kong Accounting Standards (the "HKASs") and interpretations) that are relevant to the Group's operation for the preparation of the Group's Interim condensed consolidated financial statements:

<i>Amendments to HKFRS 11</i>	<i>Joint Arrangements: Accounting for Acquisitions of Interests</i>
<i>Amendments to HKAS 16 And HKAS 38</i>	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
<i>Amendments to HKAS 16 And HKAS 41</i>	<i>Agriculture : Bearer Plants</i>
<i>Amendments to HKAS 27</i>	<i>Equity Method in Separate Financial Statements</i>
<i>Amendments to HKAS 1</i>	<i>Disclosure Initiative</i>
<i>Amendments to HKFRS 10, HKFRS12 and HKAS 28</i>	<i>Investment Entities : Applying the Consolidation Exception</i>
<i>Annual Improvements 2012-2014 Cycle</i>	<i>Amendments to a number of HKFRSs</i>

The adoption of the above new and amended HKFRSs has had no significant financial effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these interim condensed consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- the China CCMG segment mainly engages in the production and sale of CCMG products in China;
- the Hong Kong CCMG segment mainly engages in the sale of CCMG products excluding the sales through self-operated clinics in Hong Kong;
- the Chinese healthcare products segment mainly engages in the production and sale of healthcare products in Hong Kong and China; and
- the clinics segment mainly engages in the provision of Chinese medical diagnostic services and sale of CCMG products through self-operated clinics.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. OPERATING SEGMENT INFORMATION (continued)

Management monitors the results of the Group's operating segments respectively for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss after tax. The adjusted profit or loss after tax is measured consistently with the Group's profit after tax except government grants, interest income, net foreign exchange gain, finance costs, corporate and other unallocated expenses, listing expenses and income tax expense.

Intersegment sales are eliminated on consolidation. Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

The following tables present revenue, profit and other segment information for the Group's operating segments for the six months ended 30 June 2016 and 2015.

Six months ended 30 June 2016 (Unaudited)

	China CCMG HK\$'000	Hong Kong CCMG HK\$'000	Chinese healthcare products HK\$'000	Clinics HK\$'000	Elimination HK\$'000	Total HK\$'000
Segment revenue:						
Revenue to external customers	87,106	80,329	22,653	22,161	–	212,249
Intersegment sales	51,875	4,607	1,121	–	(57,603)	–
	138,981	84,936	23,774	22,161	(57,603)	212,249
Segment results	15,042	23,276	266	(4,925)	–	33,659
<i>Reconciliations:</i>						
Government grants						4,969
Interest income						431
Foreign exchange loss						(610)
Finance costs						(4,594)
Corporate and other unallocated expenses						(23,469)
Profit before tax						10,386
Income tax expense						(2,101)
Net profit						8,285
Other segment information:						
Depreciation and amortisation	4,552	1,191	941	1,541	–	8,225
Provision for impairment of inventories	241	–	–	–	–	241

4. OPERATING SEGMENT INFORMATION (continued) Six months ended 30 June 2015 (Unaudited)

	China CCMG HK\$'000	Hong Kong CCMG HK\$'000	Chinese healthcare products HK\$'000	Clinics HK\$'000	Elimination HK\$'000	Total HK\$'000
Segment revenue:						
Revenue to external customers	82,867	72,217	26,179	5,639	–	186,902
Intersegment sales	49,821	2,250	1,466	–	(53,537)	–
	132,688	74,467	27,645	5,639	(53,537)	186,902
Segment results						
	20,042	18,958	1,783	(4,272)	–	36,511
<i>Reconciliations:</i>						
Government grants						1,887
Interest income						351
Foreign exchange loss						(55)
Listing expense						(17,245)
Finance costs						(6,018)
Corporate and other unallocated expenses						(20,672)
Loss before tax						(5,241)
Income tax expense						(2,355)
Net loss						(7,596)
Other segment information:						
Depreciation and amortisation	5,777	904	448	449	–	7,578
Provision for impairment of inventories	1,526	–	–	–	–	1,526



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered.

An analysis of revenue, other income and gains is as follows:

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue		
Sales of CCMG and Chinese healthcare products	206,592	185,545
Rendering of Chinese medical diagnostic services	5,657	1,357
	212,249	186,902
Other income and gains		
Government grants*	4,969	1,887
Gain from the sale of equipment and accessories	1,319	740
Bank interest income	431	351
Others	224	36
	6,943	3,014

* Balance represented government grants from the relevant authorities in the People's Republic of China (the "PRC"), which consist primarily of subsidies and compensation for finance cost, research and development costs and grants for improvement of our research facilities in relation to certain research and development projects.



6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging:

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Cost of inventories sold	67,862	67,181
Cost of services provided	2,779	721
Depreciation	6,846	6,996
Amortisation of intangible assets	1,110	543
Research and development costs*	8,213	7,089
Minimum lease payments under operating leases:		
Office equipment	331	105
Land and buildings	9,113	5,485
	9,444	5,590
Amortisation of prepaid land lease payments	269	39
Auditors' remuneration	1,163	1,093
Listing expenses	-	17,245
Employee benefit expenses (excluding directors' remuneration (note 24 (d)):		
Wages and salaries	47,974	37,924
Pension scheme contributions	5,419	4,539
	53,393	42,463
Foreign exchange loss, net**	610	55
Write-down of inventories to net realisable value ***	241	1,526
Loss on disposal of items of property, plant and equipment	36	96

* Included in the research and development costs, there are expenditure of HK\$323,000 (six months ended 30 June 2015: HK\$381,000) disclosed in the item of "depreciation" and HK\$4,137,000 (six months ended 30 June 2015: HK\$3,478,000) disclosed in the item of "employee benefit expenses" for the six months ended 30 June 2016.

** The foreign exchange loss is included in "Other expenses" in the interim condensed consolidated statements of profit or loss.

*** The write-down of inventories to net realisable value is included in "Cost of sales" in the interim condensed consolidated statement of profit or loss.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Interest on bank loans and overdrafts wholly repayable within five years	4,594	6,018

8. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which subsidiaries of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and BVI, the subsidiaries of the Group which incorporated in the Cayman Islands and BVI are not subject to any income tax. Hong Kong profit tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Reporting Period. The statutory tax rate of the Group in respect of its operation in China is 25%. The Group's PRC subsidiary, Purapharm (Nanning) Pharmaceuticals Co., Limited is qualified as High and New Technology Enterprise and was subject to a preferential income tax rate of 15% during the Reporting Period.

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Current	2,667	3,917
Deferred	(566)	(1,562)
Total tax charge for the period	2,101	2,355

9. DIVIDEND

The 2015 proposed final dividends of HK\$20,003,000 has been approved by shareholders at the annual general meeting on 25 May 2016 and were subsequently distributed in June 2016. The net dividends of HK\$19,936,000, after deducting dividends of HK\$67,000 paid to the share award scheme (note 20(b)), is treated as transaction with owners of the parent in the interim condensed consolidated statement of changes in equity during the Reporting Period.

No interim dividend was proposed for the six months ended 30 June 2016.



10. EARNINGS/(LOSSES) PER SHARE

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Earnings/(losses) per share attributable to ordinary equity holders of the Parent — Basic and diluted (expressed in HK cents per share)	3.7	(4.5)

The calculation of the basic earnings/(losses) per share amounts is based on the profit/(loss) for the period attributable to ordinary equity holders of the Parent and the weighted average number of shares in issue during the period excluding ordinary shares purchased by the Group and held for the share award scheme (note 20(b)).

The calculation of basic earnings/(losses) per share is based on:

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Profit/(loss) attributable to ordinary equity holders of the Parent	8,285	(7,596)

The calculation of weighted average number of ordinary shares amounted to 224,700,846 (30 June 2015: 168,750,000) in issue during the Reporting Period is as follows:

	Note	30 June 2016 (Unaudited)	30 June 2015 (Unaudited)
Number of shares in issue as at 1 January	19	225,000,000	3,870,968
Effect of Subdivision of Shares	19	—	34,838,712
Effect of Capitalisation Issue	19	—	130,040,320
Effect of purchase of shares held for share award scheme	20(b)	(299,154)	—
Weighted average number of ordinary shares		224,700,846	168,750,000

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2016 and 2015 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the period.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired property, plant and equipment with an aggregate cost of HK\$20,770,000 (six months ended 30 June 2015: HK\$9,317,000). During the Reporting Period, property, plant and equipment with an aggregate carrying amount of HK\$36,000 (six months ended 30 June 2015: HK\$508,000) were disposed of by the Group.

12. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Life insurance policies, at fair value	13,522	13,348

The Group entered into three life insurance policies with the insurance companies to insure an executive director. Under these policies, the Group is the beneficiary and the policy holder. The Group paid upfront premiums for these policies and may surrender any time by filing a written request and receive cash based on the surrender value of the policy at the date of withdrawal, which is calculated by the insurer. In the opinion of the directors, the surrender values of the policies provided by the insurance company are the best approximation of their fair values, which are categorised within Level 3 of the fair value hierarchy.

13. INVENTORIES

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Raw materials	43,053	34,803
Work in progress	29,310	21,172
Finished goods	58,193	56,590
	130,556	112,565
Less: provision	(3,505)	(4,578)
	127,051	107,987



14. TRADE AND BILLS RECEIVABLES

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Trade receivables	150,716	159,137
Bills receivable	4,400	2,910
	155,116	162,047
Less: impairment of trade and bills receivables	(937)	(1,029)
	154,179	161,018

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to six months, extending up to longer periods for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables as at the end of the Reporting Period, based on the invoice date and net of impairment, is as follows:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Within 1 month	48,414	97,500
1 to 3 months	28,726	22,213
3 to 6 months	24,911	18,236
Over 6 months	52,128	23,069
	154,179	161,018



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Prepayments	28,859	29,788
Receivables from third party agents	3,645	3,003
Deposits and other receivables	22,050	9,420
	54,554	42,211
Less: impairment of other receivables	(241)	(252)
	54,313	41,959
Portion classified as non-current	(7,090)	(8,035)
Current portion	47,223	33,924

16. CASH AND CASH EQUIVALENTS

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Cash and cash equivalents are dominated in:		
Renminbi ("RMB")	11,802	40,985
HK\$	220,210	191,258
Canadian dollar ("CAD")	532	–
Cash and cash equivalents	232,544	232,243



17. TRADE PAYABLES

An aging analysis of the trade payables as at the end of the Reporting Period, based on the invoice date, is as follows:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Within 1 month	16,010	22,193
1 to 2 months	10,651	9,919
2 to 3 months	2,532	4,142
Over 3 months	3,544	1,837
	32,737	38,091

The trade payables are interest-free and are normally settled on terms of one to three months, extending to longer periods for those long standing suppliers.

Included in the trade payables is an amount due to a related company of HK\$1,023,000 (31 December 2015: HK\$840,000) as at 30 June 2016, which is settled on the term of two months.

18. INTEREST-BEARING BANK BORROWINGS

	30 June 2016 (Unaudited)		
	Effective interest rate (%)	Maturity	HK\$'000
Current			
Bank loans — secured	2.70–5.66	On demand	103,373
Bank loans — unsecured	2.30–6.00	On demand	133,990
Total			237,363
	31 December 2015 (Audited)		
	Effective interest rate (%)	Maturity	HK\$'000
Current			
Bank loans — secured	2.87–7.80	On demand/2016	110,972
Bank loans — unsecured	2.66–6.00	On demand	14,459
Total			125,431

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. INTEREST-BEARING BANK BORROWINGS (continued)

All the interest-bearing bank borrowings and overdrafts are repayable within one year or on demand as at 30 June 2016 and 31 December 2015, respectively.

Interest-bearing bank borrowings are denominated in:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
HK\$	150,360	33,973
RMB	87,003	91,458
	237,363	125,431

- (a) HK Interpretation 5 "Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" requires that a loan which includes a clause that gives the lender the unconditional right to call the loan at any time ("repayment on demand clause") shall be classified in total by the borrower as current in the interim condensed consolidated statements of financial position. Interest-bearing bank loans of the Group include a repayment on demand clause under the relevant loan agreements, among which a balance of HK\$26,619,000 (31 December 2015: HK\$2,522,000) that are repayable after one year from the end of the Reporting Period have been classified as a current liability. For the purpose of the above analysis, such loans are included within current secured bank loans and analysed into bank loans repayable within one year.
- (b) As at 30 June 2016, the Group's bank facilities including overdraft amounting to HK\$438,575,000 (31 December 2015: HK\$239,535,000) of which HK\$237,363,000 (31 December 2015: HK\$125,431,000) had been utilised.
- (c) The following assets were pledged as securities for interest-bearing bank borrowings:

	Carrying value 30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Property, plant and equipment	43,339	56,161
Prepaid land lease payments	3,077	2,704
Available-for-sale investments	2,533	10,849
Inventories	24,748	35,819
Trade receivables	14,569	17,037
Prepayments, deposits and other receivables	611	689
Pledged bank deposits	11,000	6,000
	99,877	129,259

19. SHARE CAPITAL

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Authorised: 225,000,000 ordinary shares of US\$0.1 (HK\$0.775) each	174,375	174,375
Issued and fully paid: 225,000,000 ordinary shares of US\$0.1 (HK\$0.775) each	174,375	174,375

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2015	3,870,968	30,000	–	30,000
Subdivision of Shares (note a)	34,838,712	–	–	–
Initial public offering (note b)	56,250,000	43,594	292,781	336,375
Share issue expenses	–	–	(21,448)	(21,448)
Capitalisation Issue (note c)	130,040,320	100,781	(100,781)	–
At 31 December 2015 and 30 June 2016	225,000,000	174,375	170,552	344,927

- (a) Pursuant to a written resolution of the shareholders of the Company passed on 12 June 2015, the issued shares of the Company was increased from 3,870,968 to 38,709,680 by the subdivision of the par value of each share of the Company originally US\$1.00 per share into US\$0.10 each, ranking pari passu in all respects with the existing shares of the Company.
- (b) On 8 July 2015 (the "Listing Date"), 56,250,000 new shares of US\$0.1 (HK\$0.775) each were issued at a price of HK\$5.98 per share in connection with the Company's initial public offering on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The proceeds of HK\$43,594,000 representing the par value, were credited to the Company's share capital. The remaining proceeds of HK\$292,781,000 (before deduction of share issue expenses) were credited to the share premium account.
- (c) Pursuant to a written resolution of the shareholders of the Company passed on 12 June 2015, a total of 130,040,320 shares of US\$0.1 (HK\$0.775) each were allotted and issued at par value to the shareholders as of the date immediately before the Listing Date on a pro rata basis by way of capitalisation of US\$13,004,000 (HK\$100,781,000) from the Company's share premium account on the Listing Date.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. SHARE OPTION SCHEME AND SHARES HELD FOR THE SHARE AWARD SCHEME

(a) Share option scheme

The Company operates a share option scheme (the "Option Scheme") for the purpose to recognise and acknowledge the contributions that the eligible participants of the Option Scheme had or may have made to the Company. Eligible participants of the Option Scheme include any full-time or part-time employees, executives or officers of the Company and its subsidiaries, directors (including independent non-executive directors) of the Company and its subsidiaries and advisers, consultants, supplier, customers, distributors and other persons upon the terms set out in the Option Scheme (the "Eligible Option Participants"). The Option Scheme was adopted pursuant to the resolutions of the Company's shareholders passed on 12 June 2015 (the "Adoption Date") and shall be valid and effective for a period of 10 years commencing on the Adoption Date.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Option Scheme and other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the Listing Date (i.e., 22,500,000 shares) unless the Company obtains approval from its shareholders in general meeting and/or such other requirements prescribe under the Listing Rules and must not exceed 30% of the total number of shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of the Company's shares in issue, unless approval of the Company's shareholders in general meeting and/or such other requirements prescribe under the Listing Rules is obtained.

The amount payable by the grantee on application or acceptance of an option shall be HK\$1.00. The period within which the shares must be taken up under an option shall be determined by the Board at its absolute discretion and in any event, such period shall not be longer than 10 years from the date upon which any particular option is granted in accordance with the Option Scheme.

The subscription price in respect of each share issued pursuant to the exercise of an option granted under the Option Scheme shall be determined by the Board and shall not be less than the highest of: (a) the official closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a day on which the Stock Exchange is open for business of dealing in securities; (b) the average of the official closing prices of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

The Option Scheme does not contain any provision of minimum period for which an option must be held before it can be exercised unless otherwise determined by the Board and specified in the offer letter at the time of offer.

Since the adoption of the Option Scheme on 12 June 2015, no options have been granted pursuant to the Option Scheme.



20. SHARE OPTION SCHEME AND SHARES HELD FOR THE SHARE AWARD SCHEME (continued)

(b) Shares held for the share award scheme

The Board adopted a Share Award Scheme on 22 February 2016 (the "Award Scheme") in which any employee and non-executive Director of the Company and/or any member of the Group who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any member of the Group (the "Eligible Award Participants") will be entitled to participate. The purposes of the Award Scheme are:

1. to recognise and motivate the contributions by certain Eligible Award Participants and to give incentives thereto in order to retain them for the continual operation and development of the Group;
2. to attract suitable personnel for further development of the Group; and
3. to provide certain Eligible Award Participants with a direct economic interest in attaining a long-term relationship between the Group and certain Eligible Award Participants.

The Group has set up a trust (the "Share Award Scheme Trust") for the purpose of administering the Share Award Scheme. The Share Award Scheme Trust will acquire the Company's shares from the Stock Exchange, with a maximum amount of funds to be allocated by the Board, and hold such shares until they are vested. Unless early terminated by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date.

The Board has further resolved in February 2016 that a sum of HK\$10,000,000 be provided for the purchase of the Company's shares to be awarded to the Eligible Award Participants to be selected by the Board. During the six months ended 30 June 2016, the Share Award Scheme Trust purchased a total of 2,240,000 shares of the Company through the Stock Exchange of an aggregate consideration of approximately HK\$7,375,000 (including transaction costs).

As at 30 June 2016, the Share Award Scheme Trust held 2,240,000 (2015: Nil) shares of the Company. No expenses or reserves were recognised for the Share Award Scheme as no share of the Company were granted to the Eligible Award Participants during the six months ended 30 June 2016.

During the six months ended 30 June 2016, the Share Award Scheme Trust received cash dividend of HK\$67,000 which will be used to pay for the fees of the trust or acquire the Company's own ordinary shares.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. RESERVES

Surplus reserves

Pursuant to the relevant laws and regulations in the PRC, the company now comprising the Group which is registered in the PRC shall appropriate a certain percentage of its net profit after tax (after offsetting any prior years' losses) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds. When the balance of this reserve fund reaches 50% of the entity's capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after these usages. After making the appropriation to the statutory surplus reserve, the company may also appropriate its profit for the year to the discretionary surplus reserve upon approval by the board of directors or the shareholders in general meeting.

Capital reserve

Capital reserve represented additional contributions made by the shareholders of the Company's subsidiaries and, in the case of an acquisition of additional non-controlling interest of a subsidiary, the difference between the cost of acquisition and the non-controlling interest acquired.

Merger reserve

The merger reserve represented the difference between the Company's shares of the nominal value of the paid-up capital of the subsidiaries acquired and the Company's cost of acquisition of the subsidiaries under common control upon the reorganisation undergone by the Group.

22. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its warehouses, clinics, office buildings and office equipment under operating lease arrangements. Leases for warehouses, clinics, office buildings and office equipment are negotiated for terms ranging from one to five years.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Within one year	18,812	12,158
In the second to fifth years, inclusive	20,045	10,057
	38,857	22,215



23. COMMITMENTS

In addition to the operating lease commitments detailed in note 22 above, the Group had the following capital commitments at the end of each of the Reporting Period:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Contracted, but not provided for:		
Lands and buildings	47,485	48,582
Machineries and equipment	16,884	3,257
Intangible assets	–	709
	64,369	52,548

24. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in the interim condensed consolidated financial statements, the Group had the following transactions with related parties during the Reporting Period:

(a) Names of the Group's principal related parties and their relationship with the Group

Name of related parties	Relationship
Mr. Chan Yu Ling, Abraham ("Mr. Abraham Chan")	Director of the Company
Mr. Chan Kin Man, Eddie ("Mr. Eddie Chan")	Non-executive director of the Company
HerbMiners Informatics Limited ("HerbMiners")	Company controlled by a director
Edtoma Secretarial Services Limited	Company significantly influenced by a non-executive director
CWCC Co., Limited	Company significantly influenced by a non-executive director
Gateway (Macao Commercial Offshore) Company Limited	Company significantly influenced by a non-executive director
Gold Sparkle (Guizhou) DZ Plantation Co., Ltd	Company controlled by a director



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

24. RELATED PARTY TRANSACTIONS (continued)

(b) Significant related party transactions during the Reporting Period are as follows:

		Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Rental expenses	(i)	–	720
Software license fee and IT service fee	(ii)	781	286
Acquisition of intangible assets	(iii)	8,561	–
Purchase of raw materials	(iv)	6,824	–
Professional service fees	(v)	371	292

Notes:

- (i) The rental expenses were paid to Golden Gain International Limited, a related company controlled by Mr. Abraham Chan and Ms. Viola Man, under prices mutually agreed by both parties. Such lease arrangement was terminated on 30 June 2015.
- (ii) The software license fee and IT service fee were paid to HerbMiners, a related company controlled by Mr. Abraham Chan, under prices mutually agreed by both parties. The Directors consider that the service charges were in line with those offered by the supplier to its other customers. Since the Group acquired the software license from Herbminers, no further software license fee and IT service fee was paid to HerbMiners subsequently.
- (iii) The acquisition of intangible assets representing the titles, interests and rights of the two Chinese medicines management software developed by HerbMiners. The consideration for the acquisition was determined after arm's length negotiation with reference to the appraised value determined by an independent third party valuer.
- (iv) The purchase of raw materials was made from Gold Sparkle (Guizhou) DZ Plantation Co., Ltd, a related company controlled by Mr. Abraham Chan, under prices mutually agreed by both parties. The Directors consider that the purchases of raw materials were made according to the prices and conditions similar to those offered to the other suppliers of the Group.
- (v) The professional service fees were paid to the related companies, over which Mr. Chan Kin Man, Eddie, our non-executive director, has significant influence, under a price mutually agreed by both parties.

The above related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.



24. RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding balances with related parties:

	30 June 2016		31 December 2015	
	HK\$'000 (Unaudited)	Maximum amount outstanding HK\$'000 (Unaudited)	HK\$'000 (Audited)	Maximum amount outstanding HK\$'000 (Audited)
Trade payables				
Gold Sparkle (Guizhou) DZ Plantation Co., Ltd *	1,023	1,023	840	840

* The above balance was unsecured, interest-free and settled on terms of two months

(d) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Fees	–	–
Other emoluments:		
Salaries, allowances and benefits in kind	5,363	5,301
Pension scheme contributions	27	27
	5,390	5,328



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group's financial assets include available-for-sale investments and loans and receivables which comprise cash and cash equivalents, pledged deposits, trade receivables and financial assets included in prepayments, deposits and other receivables. The Group's financial liabilities include financial liabilities at amortised cost which comprise trade payables, financial liabilities included in other payables and accruals and interest-bearing bank borrowings.

Management has assessed that:

- (a) the fair value of the Group's financial assets classified as available-for-sale investments has been estimated based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (note 12); and
- (b) the fair values of the Group's financial assets classified as loans and receivables and financial liabilities were approximate to their carrying amounts largely due to the short term maturities of these instruments.

26. APPROVAL OF FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by board of directors on 22 August 2016.





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