
PuraPharm

**PuraPharm Corporation Limited**
培力控股有限公司

Stock code 股票代號 : 1498

# 2017 INTERIM REPORT 中期報告

# Contents

# Corporate Information

## Executive Directors

Mr. Chan Yu Ling, Abraham *(Chairman)*
Dr. Tsoi Kam Biu, Alvin *(Vice-Chairman)*
Mr. Chan Lung Sang
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. Piu 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

## 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)

## Registered Office

Offshore Incorporations (Cayman) Limited
P.O. Box 31119, Grand Pavilion
Hibiscus Way, 802 West Bay Road
Grand Cayman KY1-1205 Cayman Islands


## Headquarter and Principal Place of Business in Hong Kong

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

## 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

Estera Trust (Cayman) Limited
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,

The first half of 2017 proved to be a fruitful period for PuraPharm in the continuing development of Chinese Medicine and clinic business. In July 2017, the Group opened its first-ever Nong's Chinese Medicine Clinic in Mainland China. The Group has recently obtained the Certificate for Medical Institutions to Practice from the National Health and Family Planning Commission of Guangxi Zhuang Autonomous Region, and is the first Hong Kong-funded medical institution to be granted approval to operate in Guangxi under the Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA"). The Group intends to speed up its pace in opening Nong's® Chinese medicine clinics in Mainland China by capitalising on its extensive clinical experience and providing unique Chinese medicine diagnosis and treatment services, as well as applying healthcare and medical big data to deliver advances in Chinese medicine diagnosis and treatment services to local residents. As at the date of this report, the Group operates 62 Nong's® (農本方®) clinics and continues to be the largest Chinese medicine clinic chain in Hong Kong.

## Prospects

In March 2017, the Group acquired a company in the U.S. which engaged in manufacturing of Chinese herbal formulas in U.S. and sales to distributors and healthcare practitioners in U.S. and Europe. The strategic acquisition of the healthcare products company in the U.S., which is in line with PuraPharm's core value of Chinese medicine modernised and internationalised. The acquisition will enable the Group to expand the operation in the market, which in turn will become an important growth driver. Going forward, the Group will continue to promote modernisation and internationalisation of Chinese Medicine and enhance the brand awareness of both PuraPharm and Nong's® to capture the huge demand for Chinese medicine at home and abroad.

Furthermore, the Group entered into agreements on August 2017 to acquire SODX Co., Ltd. ("SODX"), which is certified by the Japanese Institute for Health Food Standards as Good Manufacturing Practice ("GMP") health products manufacturer. The acquisition will provide the Group with a cost-and time-effective means of developing its health food business, leveraging SODX's expertise and resources. SODX's manufacturing plant at Japan will serve as a pilot factory to transfer the latest technological know-how from Japan to further improve the quality and production efficiency of the Group's Chinese healthcare products. The pilot factory will also act as the Group's new product development centre for business expansion.

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. Furthermore, the Group vertically integrates the upstream raw Chinese herbs plantation and trading segment into the Group's CCMG business segment for the purpose of ensuring a stable supply of high-quality raw Chinese herbs at a lower cost. One of the current expansion plans and business strategies of the Group is to expand into the Traditional Chinese Medicine ("TCM") decoction pieces business which is highly complementary to its existing CCMG business. The recent acquisition of plantation business at Guizhou will allow the Group to immediately enter into the TCM decoction pieces industry. The optimised product mix of the Group's existing CCMG and over-the-counter Chinese healthcare products as well as TCM decoction pieces greatly improve the competitiveness of the Group.


## 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, 25 August 2017

# 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%* and also the largest Chinese medicine clinic chain in Hong Kong.

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.

## Finance Review

### Sales performance

| | Six months ended 30 June | | | | |
|---|---|---|---|---|---|
| | **2017** | | 2016 | | |
| | **Revenue HK$000** | **% of total** | Revenue HK$000 | % of total | Growth rate |
| China CCMG | **95,616** | **36.3%** | 87,106 | 41.0% | 9.8% |
| Hong Kong CCMG | **86,772** | **33.0%** | 80,329 | 37.9% | 8.0% |
| Chinese Healthcare products | **34,076** | **13.0%** | 22,653 | 10.7% | 50.4% |
| Nong's® (農本方)® Chinese medicine clinics | **36,303** | **13.8%** | 22,161 | 10.4% | 63.8% |
| Plantation | **10,326** | **3.9%** | – | – | N/A |
| Total | **263,093** | **100.0%** | 212,249 | 100.0% | 24.0% |

The Group's revenue for the six months ended 30 June 2017 was HK$263.1 million, representing an increase of HK$50.8 million or 24.0% compared to HK$212.2 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, fast expansion of the Group's Nong's® (農本方®) Chinese medicine clinics in Hong Kong, and the revenue contribution from the newly acquired plantation business and Chinese herbal products business from a U.S. company.

#### China CCMG

For the six months ended 30 June 2017, the sales of CCMG in China was HK$95.6 million, representing an increase of HK$8.5 million or 9.8% compared to HK$87.1 million for the corresponding period of last year. The depreciation of Renminbi ("RMB") against Hong Kong dollar during the six month period ended 30 June 2017 against the corresponding period of last year has impeded the revenue growth of China CCMG reporting in Hong Kong dollar. The revenue growth of China CCMG sales denominated in RMB increased by 15.1% as compared to the corresponding period of the year. The increase was mainly attributed to an increase in sales volume to the Group's direct sales customers.

During the six months ended 30 June 2017, the growth of the Group's sales to distributors was still influenced by the impact of "Two-Invoice System" policy implemented in the PRC pharmaceutical industry in 2016, which aims to reduce the number of layer of distributors between pharmaceutical manufacturers and medical institutions. To mitigate the risk of lower sales growth to the distributors, the Group had restructured its sales force and resource to be more focus on the direct sales customers in the target regions of Mainland China since 2016. As a result of such direct sales focus strategy, the revenue growth for direct sales customers during the six months ended 30 June 2017 recorded more than 20% revenue growth to the direct sales comparing to the corresponding period of last year, and the revenue contribution from the sales to direct sales customers accounted for more than 60% of the total China CCMG sales.


## 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 2017, the direct sales of CCMG products in Hong Kong was HK$86.8 million, representing an increase of HK$6.4 million or 8.0% compared to HK$80.3 million in the corresponding period of last year. The growth was mainly attributable to the increase demand from the hospitals and increase in number of private Chinese medicine practitioners in the Group's customer base.

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

During the six months ended 30 June 2017, the sales of CCMG products and provision of Chinese medical diagnostic services by the Group's Nong's® (農本方®) Chinese medicine clinics generated revenue of HK$36.3 million in aggregate, representing an increase of HK$14.1 million or 63.8% compared to HK$22.2 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, from 37 clinics as at 30 June 2016 to 59 clinics as at 30 June 2017. The Group continues to be the largest TCM clinic chain in Hong Kong.

According to the Law of the People's Republic of China on Traditional Chinese Medicine <中華人民共和國中醫藥法>, which is effective in 1 July 2017, enterprises are encouraged to setup their private clinics. The Group believes the new policy will facilitate its clinics expansion plan in China.

In July 2017, the Group's first Nong's® (農本方®) Chinese medicine clinic in China commenced business, which was located in Nanning, Guangxi Zhuang Autonomous Region, and is the first Hong Kong-funded medical institution to be granted approval to operate in Guangxi under CEPA. The Group's second China Nong's® (農本方®) Chinese medicine clinic under CEPA was located in Shanghai under setup stage, and is expected to commence business in first quarter of 2018.

During the period under review, the Group has purchased three properties in Nanning, Guangxi Zhuang Autonomous Region, which is intended to be used for the operation of clinic.

As one of the growth engines of the Group's business, it will continue to operate 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 2017, revenue from sales of Chinese healthcare products was HK$34.1 million, representing an increase of HK$11.4 million or 50.4% compared to HK$22.7 million in the corresponding period of last year.

In order to enrich the product portfolio of its Chinese healthcare products and get immediate access to the overseas market, the Group acquired K'an Herbs Inc., a U.S. based Chinese herbal products company during the period under review. The acquisition was completed on 7 March 2017, and HK$9.8 million revenue was contributed by this newly acquired subsidiary during the period under review since the completion date.

Apart from the newly acquired Chinese herbal products business in U.S., the Group existing Chinese healthcare products recorded a revenue growth of HK$1.6 million or 7.0% during the period under review compared to HK$22.7 million in the corresponding period of last year. The revenue growth of the Group's existing Chinese healthcare products was mainly attributed by the outstanding growth of the Nong's series over-the-counter products, as a result of the continued marketing effort to increase the brand awareness of the Group's Chinese healthcare products.

### Plantation

During the period under review, the Group has completed the acquisition of Gold Sparkle (Guizhou) Chinese Medicine Co., Ltd. and Gold Sparkle (Guizhou) HZ Plantation Co. (together "Plantation Subsidiaries"), which are engaged in plantation and trading of raw Chinese herbs and manufacturing and sale of TCM decoction pieces on 19 April 2017. The acquisition will allow the Group to vertically integrate the upstream raw Chinese herbs plantation and trading segment into the Group's CCMG business segment for the purpose of ensuring a stable supply of high-quality raw Chinese herbs at a lower cost. One of the current expansion plans and business strategies of the Group is to expand into the TCM decoction pieces business which is highly complementary to its existing CCMG business. The acquisition will allow the Group to immediately enter into the TCM decoction pieces industry and the expanded comprehensive product mix of the Group's CCMG, over-the counter Chinese healthcare products and TCM decoction pieces will highly improve the competitiveness of the Group in the market.

During the period under review, the plantation business of the Plantation Subsidiaries contributed HK$10.3 million to the Group's revenue since the acquisition. As the TCM decoction pieces production facilities are still under construction, the revenue from the Plantation Subsidiaries was mainly attributed to the trading of raw Chinese herbs and plantation products.


## Profitability

| | Six months ended 30 June | | |
|---|---|---|---|
| | **2017** | 2016 | Growth Rate |
| | **HK$'000** | HK$'000 | |
| Revenue | **263,093** | 212,249 | 24.0% |
| Cost of sales | **82,225** | 70,641 | 16.4% |
| Gross Profit | **180,868** | 141,608 | 27.7% |
| Gross profit margin | **68.7%** | 66.7% | |

The Group's gross profit margin for the six months ended 30 June 2017 was 68.7%, representing an increase of 2% compared to 66.7% in the corresponding period of last year. The average selling price and unit cost remained stable during the year. The increase in the gross profit margin was mainly attributable to the increase in portion of revenue generated from Nong's® (農本方®) Chinese medicine clinics and direct sales customers in China, 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, net foreign exchange gain and bank interest income. For the six months ended 30 June 2017, the Group's other income and gain was HK$7.5 million, representing an increase of HK$0.6 million or 8.7% compared to HK$6.9 million for the corresponding period of last year. The increase was mainly due to the net foreign exchange gain resulting from the appreciation of the Group's financial instruments denominated in foreign currencies, which was partially offset by the decrease in government grant obtained and recognized.

## 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 2017, the Group's selling and distribution expenses was HK$80.6 million, representing an increase of HK$15.1 million or 23.1% compared to HK$65.5 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) continued devoting the marketing resources to focus on the direct sales customers in the China. For the six months ended 30 June 2017, selling and distribution expenses as a percentage to revenue remained stable at 30.6%, as compared to 30.9% 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 2017, the Group's administrative expenses was HK$85.8 million, representing an increase of HK$19.5 million or 29.4% compared to HK$66.3 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 Group operated 59 clinics as at 30 June 2017, as compared to 37 as at 30 June 2016, (ii) increase in administrative expenses for developing the new overseas business segment in Canada, Australia and Japan, and (iii) administrative expenses attributed by the newly acquired subsidiaries in U.S. and Guizhou, and HK$3.5 million legal and professional fee for such acquisitions were fully recorded as expenses for the period under review.

### Other expenses

The Group's other expenses mainly comprised of voluntary charity donation, net foreign exchange loss and miscellaneous expenses. The decrease was primarily attributable to a net foreign exchange gain was recorded during current period under review, but a net foreign exchange loss was recorded for the corresponding period of last year.

### Finance costs

For the six months ended 30 June 2017, the Group's finance costs amounted to HK$7.0 million, representing an increase of HK$2.4 million or 53.2% as compared to HK$4.6 million for the correspondence period of last year. The increase was mainly due to the increase in bank borrowings during the six months ended 30 June 2017 as compared to the corresponding period of last year. The addition of bank borrowings were mainly used to finance the acquisitions, capital expenditures and general working capitals for the period under review.

### Income tax expense

For the six months ended 30 June 2017, the Group's income tax expenses amounted to HK$4.6 million, representing an increase of HK$2.5 million or 121.3% as compared to HK$2.1 million for the correspondence period of last year, as a result of a better profitability of the Group for the period under review. The effective tax rate increased from 20.2% for the six months period ended 30 June 2016 to 33.7% for the period under view. The increase in effective tax rate was mainly due to the unrecognised tax loss arose from the new overseas business segment and non-tax deductible legal and professional fee incurred for acquisitions.


## Capital Expenditures

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 2017, the total capital expenditure was HK$40.5 million (six months ended 30 June 2016: HK$35.1 million). The capital expenditures during the period under review were mainly incurred for (i) acquisition of production equipment and enhancement of existing production line, (ii) renovation of new Nong's® (農本方®) Chinese medicine clinics, and (iii) payment for three properties in Nanning, Guangxi Zhuang Autonomous Region, which is intended to be used for the operation of clinics.

## Liquidity and Financial Resources

As at 30 June 2017, the Group had net current assets of HK$167.6 million (31 December 2016: HK$255.8 million), which included cash and cash equivalent of HK$156.7 million (31 December 2016: HK$209.1 million) and the current portion of interest-bearing bank and other borrowings amounting to HK$417.7 million (31 December 2016: HK$261.0 million). As at 30 June 2017, the Group's interest bearing bank and other borrowing and unused bank facilities amounted to HK$537.5 million (31 December 2016: HK$261.0 million) and HK$163.5 million (31 December 2016: HK$197.5 million), respectively.

## Gearing Ratio

As at 30 June 2017, the gearing ratio of the Group, which is calculated by dividing total interest-bearing bank and other borrowings by total equity, increased to 0.99 from 0.57 as at 31 December 2016. 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 2017, the Group had a total of 679 employees (31 December 2016: 544 employees). During the six months ended 30 June 2017, total staff costs excluding Directors' remuneration was HK$53.7 million (six months ended 30 June 2016: HK$53.4 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 Commitment

| | 30 June 2017 HK$'000 (Unaudited) | 31 December 2016 HK$'000 (Audited) |
|---|---|---|
| Contracted, but not provided for: | | |
| Acquisition of subsidiaries* | – | 217,512 |
| Lands and buildings | 84,311 | 48,582 |
| Plant and machinery | 5,547 | 8,866 |
| Intangible assets | 1,419 | – |
| | 91,277 | 274,960 |

* As at 31 December 2016, the Group had contracted for capital commitments in respect of the acquisition of the Plantation Subsidiaries amounting to RMB190,000,000 (equivalent to approximately HK$217,512,000). Such acquisition was completed on 19 April 2017.

## Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2017.

## 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 2017, the Group had utilised approximately HK$191.5 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 (in HK$ million) | Approximate amount utilized (in HK$ million) |
|---|---|---|---|
| To expand manufacturing facilities and enhance existing production lines | 86.5 | 30.0% | 38.0 |
| To establish new Nong's® Chinese medicine clinics in Hong Kong and the PRC | 72.1 | 25.0% | 54.2 |
| To expand distribution network into new target cities in the PRC | 57.7 | 20.0% | 57.7 |
| To fund the development and launch of two new proprietary Chinese medicine products | 43.3 | 15.0% | 12.8 |
| Additional working capital of the Group | 28.8 | 10.0% | 28.8 |
| | 288.4 | 100.0% | 191.5 |


## Directors' and Chief Executives' Interests or Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2017, 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 | 141,903,220 (L)(2)(3)(4) | 57.29% |
| | Beneficial owner | 1,317,500 (L) | 0.53% |
| | Interest of spouse | 51,716,500 (L)(5) | 20.82% |
| | Beneficiary of a trust | 300,000 (L)(9) | 0.12% |
| Ms. Man Yee Wai, Viola ("Ms. Viola Man") | Interest of a controlled corporation | 51,566,500 (L)(6) | 20.82% |
| | Interest of spouse | 143,520,720 (L)(7) | 57.94% |
| | Beneficiary of a trust | 150,000 (L)(9) | 0.06% |
| Mr. Chan Kin Man, Eddie ("Mr. Eddie Chan") | Interest of controlled corporations | 3,125,000 (L)(8) | 1.26% |
| | Beneficiary of a trust | 20,000 (L)(9) | 0.01% |
| Dr. Tsoi Kam Biu, Alvin | Beneficiary of a trust | 150,000 (L)(9) | 0.06% |
| Mr. Chan Lung Sang | Beneficiary of a trust | 150,000 (L)(9) | 0.06% |
| Dr. Chan Kin Keung, Eugene | Beneficiary of a trust | 20,000 (L)(9) | 0.01% |
| Mr. Ho Kwok Wah, George | Beneficiary of a trust | 20,000 (L)(9) | 0.01% |
| Dr. Leung Lim Kin, Simon | Beneficiary of a trust | 20,000 (L)(9) | 0.01% |
| Prof. Tsui Lap Chee | Beneficiary of a trust | 20,000 (L)(9) | 0.01% |

Notes:

1. The letter "L" denotes the person's long position in such securities.

2. 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.

3. 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.

4. Mr. Abraham Chan beneficially owns the entire issued share capital of Gold Sparkle Limited ("Gold Sparkle"), which in turn owns 13,050,720 Shares. By virtue of the SFO, Mr. Abraham Chan is deemed to be interested in the Shares held by Gold Sparkle.

5. 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.

6. 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.

7. 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.

8. 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.

9. These shares represent shares granted to such directors pursuant to the Award Scheme, which will be held on trust by the Share Award Scheme Trust until the shares are vested. For further detail, please refer to the paragraph headed "Share Award Scheme" below.

Save as disclosed above, as at 30 June 2017, 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 2017, 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) | 20.82% |
| Joint Partners | Interest of a controlled corporation | 51,566,500 (L)[2] | 20.82% |
| Fullgold Development | Beneficial owner | 77,286,000 (L) | 31.20% |
| Gold Sparkle | Beneficial owner | 13,050,720 (L) | 5.27% |

Notes:

1. The letter "L" denotes the person's long position in such securities.

2. 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 2017, 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 22(a) 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.

## 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 administrating 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 2017, no Share was purchased by the Share Award Scheme Trust.

As at 30 June 2017, the Share Award Scheme Trust held 3,021,000 Shares (31 December 2016: 3,021,000 Shares). On 16 June 2017, the Board resolved to grant a total of 2,050,000 Shares (the "Awarded Shares") to 18 persons who are Eligible Participants pursuant to the Scheme. Details of the grant are as follows:

| Name of Awardees | Position | Number of Awarded Shares Granted |
|---|---|---|
| Mr. Chan Yu Ling, Abraham | Executive director | 300,000 |
| Dr. Tsoi Kam Biu, Alvin | Executive director | 150,000 |
| Mr. Chan Lung Sang | Executive director | 150,000 |
| Ms. Man Yee Wai, Viola | Executive director | 150,000 |
| Mr. Chan Kin Man, Eddie | Non-executive director | 20,000 |
| Dr. Chan Kin Keung, Eugene | Independent non-executive director | 20,000 |
| Mr. Ho Kwok Wah, George | Independent non-executive director | 20,000 |
| Dr. Leung Lim Kin, Simon | Independent non-executive director | 20,000 |
| Prof. Tsui Lap Chee | Independent non-executive director | 20,000 |
| Remaining nine Awardees who are Eligible Employees and are not connected persons (as defined in the Listing Rules) of the Company | | 1,200,000 |
| | | 2,050,000 |

The Group recognised a share award expense of HK$157,000 during the six months ended 30 June 2017.


## 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 2017, 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 2017 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 2017 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 2017.

## Purchase, Sale or Redemption of the Company's Listed Securities

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 2017.

## Important Events Since the End of the Reporting Period

On 14 August 2017, the Group entered into share purchase agreements with all the shareholders of SODX Co., Ltd. ("SODX") in relation to the Company's acquisition of entire issued and outstanding shares of SODX at a total cash consideration of JPY244.0 million (equivalent to approximately HK$17.1 million). SODX was incorporated in Japan and is principally engaged in manufacturing and sales of health food in Japan. The acquisition of SODX has yet to be completed as at the date of this report. Details of the acquisition of SODX have been set out in the Company's announcements dated 14 August 2017.

## Interim Dividend

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2017.

## Publication Of Interim Report

The interim report of the Company for the six months ended 30 June 2017 containing all the information required by the Listing Rules is to be dispatched to the shareholders of the Company and made available for review on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.purapharm.com in due course.

# Independent Review Report

EY 安永

**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 22 to 60, which comprises the interim condensed consolidated statement of financial position as at 30 June 2017 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 Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Ernst & Young**
*Certified Public Accountants*
Hong Kong
25 August 2017

# Interim Condensed Consolidated Statement of Profit or Loss

| | Notes | Six months ended 30 June 2017 HK$'000 (Unaudited) | 2016 HK$'000 (Unaudited) |
|---|---|---|---|
| REVENUE | 5 | **263,093** | 212,249 |
| Cost of sales | | **(82,225)** | (70,641) |
| Gross profit | | **180,868** | 141,608 |
| Other income and gains | 5 | **7,546** | 6,943 |
| Selling and distribution expenses | | **(80,606)** | (65,496) |
| Administrative expenses | | **(85,790)** | (66,271) |
| Other expenses | | **(1,192)** | (1,804) |
| Finance costs | 7 | **(7,039)** | (4,594) |
| PROFIT BEFORE TAX | 6 | **13,787** | 10,386 |
| Income tax expense | 8 | **(4,649)** | (2,101) |
| PROFIT FOR THE PERIOD | | **9,138** | 8,285 |
| Attributable to owners of the parent | | **9,138** | 8,285 |
| EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY (expressed in HK cents per share) | | | |
| Basic | | | |
| — For profit for the period | 10 | **4.0** | 3.7 |
| Diluted | | | |
| — For profit for the period | 10 | **4.0** | 3.7 |

# Interim Condensed Consolidated Statement of Comprehensive Income

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| PROFIT FOR THE PERIOD | **9,138** | 8,285 |
| OTHER COMPREHENSIVE INCOME | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods: | | |
| Available-for-sale investments: | | |
| Changes in fair value | **191** | 174 |
| Income tax effect | **(32)** | (29) |
| | **159** | 145 |
| Exchange differences on translation of foreign operations | **7,970** | (4,654) |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX | **8,129** | (4,509) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | **17,267** | 3,776 |
| Attributable to owners of the parent | **17,267** | 3,776 |

# Interim Condensed Consolidated Statement of Financial Position

| | Notes | 30 June 2017 HK$'000 (Unaudited) | 31 December 2016 HK$'000 (Audited) |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 11 | **230,201** | 117,383 |
| Prepaid land lease payments | | **37,895** | 23,070 |
| Other intangible assets | | **30,482** | 26,470 |
| Available-for-sale investments | 12 | **13,951** | 13,760 |
| Prepayments for non-current assets | 17 | **27,061** | 8,845 |
| Deferred tax assets | | **14,341** | 12,200 |
| Goodwill | 13 | **148,397** | – |
| Total non-current assets | | **502,328** | 201,728 |
| CURRENT ASSETS | | | |
| Inventories | 14 | **226,127** | 167,064 |
| Biological assets | 15 | **13,926** | – |
| Trade and bills receivables | 16 | **295,737** | 231,689 |
| Prepayments, deposits and other receivables | 17 | **53,097** | 39,638 |
| Pledged bank deposits | | **9,076** | 11,000 |
| Cash and cash equivalents | 18 | **156,650** | 209,129 |
| Total current assets | | **754,613** | 658,520 |
| CURRENT LIABILITIES | | | |
| Trade payables | 19 | **71,655** | 74,191 |
| Other payables and accruals | | **93,166** | 58,341 |
| Interest-bearing bank and other borrowings | 20 | **417,719** | 261,048 |
| Tax payable | | **3,289** | 7,227 |
| Government grants | | **1,160** | 1,953 |
| Total current liabilities | | **586,989** | 402,760 |
| NET CURRENT ASSETS | | **167,624** | 255,760 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **669,952** | 457,488 |


| | Notes | 30 June 2017 HK$'000 (Unaudited) | 31 December 2016 HK$'000 (Audited) |
|---|---|---|---|
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **669,952** | 457,488 |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank and other borrowings | 20 | **119,764** | – |
| Government grants | | **1,903** | 1,399 |
| Deferred tax liabilities | | **2,694** | 1,584 |
| Total non-current liabilities | | **124,361** | 2,983 |
| Net assets | | **545,591** | 454,505 |
| EQUITY | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 21 | **191,981** | 174,375 |
| Shares held for share award scheme | 22(b) | **(10,019)** | (10,019) |
| Reserves | 23 | **363,629** | 290,149 |
| Total equity | | **545,591** | 454,505 |

*Director* *Director*

# Interim Condensed Consolidated Statement of Changes in Equity

| | Attributable to owners of the parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 (note 21) | Share premium account HK$'000 (note 21) | Shares held for share award scheme HK$'000 (note 22(b) | Share award reserve HK$'000 (note 22(b) | Merger reserve HK$'000 (note 23) | Surplus reserves HK$'000 (note 23) | Capital reserve HK$'000 (note 23) | Available-for-sale investment revaluation reserve HK$'000 | Exchange fluctuation reserve HK$'000 | Retained profits HK$'000 | Total equity HK$'000 |
| At 31 December 2016 (audited) | 174,375 | 150,616 | (10,019) | – | 1,814 | 24,685 | (7,505) | 469 | (17,477) | 137,547 | 454,505 |
| Profit for the period | – | – | – | – | – | – | – | – | – | 9,138 | 9,138 |
| Other comprehensive income for the year: | | | | | | | | | | | |
| Changes in fair value of available-for-sale investments, net of tax | – | – | – | – | – | – | – | 159 | – | – | 159 |
| Exchange differences on translation of foreign operations | – | – | – | – | – | – | – | – | 7,970 | – | 7,970 |
| Total comprehensive income for the period | – | – | – | – | – | – | – | 159 | 7,970 | 9,138 | 17,267 |
| Final 2016 dividend | – | (4,942) | – | – | – | – | – | – | – | – | (4,942) |
| Issue of ordinary shares for equity consideration for acquisition of subsidiaries (note 24) | 17,606 | 60,998 | – | – | – | – | – | – | – | – | 78,604 |
| Recognition of equity-settled share award | – | – | – | 157 | – | – | – | – | – | – | 157 |
| At 30 June 2017 (unaudited) | 191,981 | 206,672* | (10,019) | 157* | 1,814* | 24,685* | (7,505)* | 628* | (9,507)* | 146,685* | 545,591 |

* These reserve accounts comprise the consolidated reserves of HK$363,629,000 (31 December 2016: HK$290,149,000) in the interim condensed consolidated statement of financial position as at 30 June 2017.


| | Attributable to owners of the parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium account HK$'000 | Shares held for share award scheme HK$'000 | Merger reserve HK$'000 | Surplus reserves HK$'000 | Capital reserve HK$'000 | Available-for-sale investment revaluation reserve HK$'000 | Exchange fluctuation reserve HK$'000 | Retained profits HK$'000 | Total equity HK$'000 |
| 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 shard 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 |

# Interim Condensed Consolidated Statement of Cash Flows

| | Notes | Six months ended 30 June 2017 HK$'000 (Unaudited) | 2016 HK$'000 (Unaudited) |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax: | | **13,787** | 10,386 |
| Adjustments for: | | | |
| Finance costs | 7 | **7,039** | 4,594 |
| Foreign exchange (gain)/loss, net | 6 | **(2,671)** | 610 |
| Loss on disposal of property, plant and equipment | 6 | **38** | 36 |
| Depreciation | 6 | **9,143** | 6,846 |
| Amortisation of prepaid land lease payments | 6 | **294** | 269 |
| Amortisation of other intangible assets | 6 | **1,460** | 1,110 |
| Write-down of inventories to net realisable value | 6 | **498** | 241 |
| Bank interest income | 5 | **(261)** | (431) |
| Equity-settled share award expense | 22(b) | **157** | – |
| | | **29,484** | 23,661 |
| Increase in inventories | | **(15,884)** | (19,693) |
| Increase in biological assets | | **(415)** | – |
| (Increase)/decrease in trade and bills receivables | | **(18,452)** | 5,992 |
| Increase in prepayments, deposits and other receivables | | **(15,362)** | (12,453) |
| Decrease in trade payables | | **(23,100)** | (5,299) |
| Decrease in government grants | | **(893)** | (282) |
| Decrease in other payables and accruals | | **(27,707)** | (24,640) |
| Cash used in operations | | **(72,329)** | (32,714) |
| Interest received | | **261** | 431 |
| Hong Kong income tax paid | | **(265)** | (703) |
| PRC corporate income tax paid | | **(9,143)** | (7,289) |
| Net cash flows used in operating activities | | **(81,476)** | (40,275) |


| | Notes | Six months ended 30 June<br>2017<br>HK$'000<br>(Unaudited) | 2016<br>HK$'000<br>(Unaudited) |
|---|---|---|---|
| Net cash flows used in operating activities | | **(81,476)** | (40,275) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of property, plant and equipment | | **(35,436)** | (21,632) |
| Proceeds from disposal of items of property, plant and equipment | | **62** | – |
| Addition to other intangible assets | | **(5,065)** | (13,493) |
| Acquisition of subsidiaries | 24 | **(149,618)** | – |
| (Increase)/decrease in pledged deposits | | **1,924** | (5,000) |
| Net cash flows used in investing activities | | **(188,133)** | (40,125) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| New bank loans borrowings | | **382,080** | 227,714 |
| Repayment of bank loans | | **(143,566)** | (113,725) |
| Repayment of other borrowings | | **(12,285)** | – |
| Interest paid | | **(7,039)** | (4,594) |
| Purchase of shares held for share award scheme | 22(b) | **–** | (7,375) |
| Dividends paid | 9 | **(4,942)** | (19,936) |
| Net cash flows generated from financing activities | | **214,248** | 82,084 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | **(55,361)** | 1,684 |
| Cash and cash equivalents at beginning of period | | **209,129** | 232,243 |
| Effect of foreign exchange rate changes, net | | **2,882** | (1,383) |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | | **156,650** | 232,544 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | 18 | **156,650** | 232,544 |

# Notes to Interim Condensed Consolidated Financial Statements

## 1. Corporate Information and Reorganisation

PuraPharm Corporation Limited 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 P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands.

The Company is an investment holding company. During the six months ended 30 June 2017 the Group was 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. After the acquisition of a plantation business in April 2017 (note 24), the Group's activities also include plantation and trading of raw Chinese herbs, and manufacturing and sales of Traditional Chinese Medicine ("TCM") decoction pieces ("中藥飲片").

In the opinion of 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 2017 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 International 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 2016.

They have been prepared under the historical cost convention, except for available-for-sale investments and biological assets, 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.


## 2. Basis of Preparation (continued)

### 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.

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 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017.

In the current interim period, the Group has applied, for the first time, the following amendments to 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:

| | |
|---|---|
| *Amendments to HKAS 7* | *Disclosure Initiative* |
| *Amendments to HKAS 12* | *Recognition of Deferred Tax Assets for Unrealised Losses* |
| *Amendments to HKFRS 12 included in Annual Improvements 2014–2016 Cycle* | *Disclosure of Interests in Other Entities* |

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 five reportable operating segments as follows:

(a) the China CCMG segment mainly engages in the production and sale of CCMG products in China;

(b) the Hong Kong CCMG segment mainly engages in the sale of CCMG products excluding the sales through self-operated clinics in Hong Kong;

(c) the Chinese healthcare products segment mainly engages in the production and sale of healthcare products in Hong Kong and China;

(d) the clinics segment mainly engages in the provision of Chinese medical diagnostic services and sale of CCMG products through self-operated clinics; and

(e) the plantation segment mainly engages in the plantation and trading of raw Chinese herbs, and manufacturing and sales of TCM decoction pieces.


## 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/(loss), finance costs, corporate and other unallocated 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 2017 and 2016.

**Six months ended 30 June 2017 (Unaudited)**

| | China CCMG HK$'000 | Hong Kong CCMG HK$'000 | Chinese healthcare products HK$'000 | Clinics HK$'000 | Plantation HK$'000 | Elimination HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| **Segment revenue:** | | | | | | | |
| Revenue to external customers | 95,616 | 86,772 | 34,076 | 36,303 | 10,326 | – | 263,093 |
| Intersegment sales | 61,249 | 6,599 | 1,132 | – | 1,213 | (70,193) | – |
| | 156,865 | 93,371 | 35,208 | 36,303 | 11,539 | (70,193) | 263,093 |
| **Segment results** | 16,594 | 24,146 | 1,038 | (1,116) | 962 | – | 41,624 |
| *Reconciliations:* | | | | | | | |
| Government grants | | | | | | | 3,415 |
| Interest income | | | | | | | 261 |
| Foreign exchange gain | | | | | | | 2,671 |
| Finance costs | | | | | | | (7,039) |
| Corporate and other unallocated expenses | | | | | | | (27,145) |
| Profit before tax | | | | | | | 13,787 |
| Income tax expense | | | | | | | (4,649) |
| **Net profit** | | | | | | | 9,138 |
| **Other segment information:** | | | | | | | |
| Depreciation and amortisation | 5,706 | 1,307 | 821 | 2,806 | 257 | – | 10,897 |
| Provision for impairment of inventories | 498 | – | – | – | – | – | 498 |

## 4. Operating Segment Information (continued)

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 |
| *Reconciliations:* | | | | | | |
| 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 |


## 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 | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| **Revenue** | | |
| Sales of CCMG and Chinese healthcare products | **243,026** | 206,592 |
| Rendering of Chinese medical diagnostic services | **9,741** | 5,657 |
| Sales of raw Chinese herbs | **10,326** | – |
| | **263,093** | 212,249 |
| **Other income and gains** | | |
| Government grants* | **3,415** | 4,969 |
| Foreign exchange gain, net | **2,671** | – |
| Gain from the sale of equipment and accessories | **1,107** | 1,319 |
| Bank interest income | **261** | 431 |
| Others | **92** | 224 |
| | **7,546** | 6,943 |

* 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 Before Tax

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

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Cost of inventories sold | **77,581** | 67,862 |
| Cost of services provided | **4,644** | 2,779 |
| Depreciation | **9,143** | 6,846 |
| Amortisation of intangible assets | **1,460** | 1,110 |
| Amortisation of prepaid land lease payments | **294** | 269 |
| Research and development costs* | **9,083** | 8,213 |
| Minimum lease payments under operating leases: | | |
| Office equipment | **77** | 331 |
| Land and buildings | **16,020** | 9,113 |
| | **16,097** | 9,444 |
| Auditors' remuneration | **1,303** | 1,163 |
| Employee benefit expenses (excluding directors' remuneration): | | |
| Wages and salaries | **46,981** | 47,974 |
| Pension scheme contributions | **6,667** | 5,419 |
| Equity-settled share award expense | **98** | – |
| | **53,746** | 53,393 |
| Foreign exchange (gain)/loss, net** | **(2,671)** | 610 |
| Write-down of inventories to net realisable value*** | **498** | 241 |
| Loss on disposal of items of property, plant and equipment | **38** | 36 |

* Included in the research and development costs, there are expenditure of HK$307,000 (six months ended 30 June 2016: HK$323,000) disclosed in the item of "depreciation" and HK$4,563,000 (six months ended 30 June 2016: HK$4,137,000) disclosed in the item of "employee benefit expenses" for the six months ended 30 June 2017.

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

*** 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.


## 7. Finance Costs

An analysis of finance costs is as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Interest on bank and other borrowings | **7,039** | 4,594 |

## 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 and U.S. profit tax have been provided at the rate of 16.5% and 40.0% on the estimated assessable profits arising in Hong Kong and U.S. during the Reporting Period, respectively. 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 ("PuraPharm Nanning") 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 | |
|---|---|---|
| | **2017** | 2016 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Current | **4,859** | 2,667 |
| Deferred | **(210)** | (566) |
| Total tax charge for the period | **4,649** | 2,101 |

## 9. Dividend

The 2016 proposed final dividends of HK2.02 cents per share (2015: HK8.89 cents per share) has been approved by shareholders at the annual general meeting on 26 May 2017 and were subsequently distributed in June 2017.

The net dividends of HK$4,942,000 (2015: HK$19,936,000), after deducting dividends of HK$62,000 (2015: HK$67,000) paid to the share award scheme (note 22(b)) which is treated as transaction with owners of the parent in the condensed consolidated statement of changes in equity during the reporting period.

No interim dividend was proposed for the six months ended 30 June 2017.

## 10. Earnings Per Share

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the six months ended 30 June 2017 excluding ordinary shares purchased by the Group and held for Award Scheme (note 22(b)).

| | Six months ended 30 June | |
|---|---|---|
| | **2017 (Unaudited)** | 2016 (Unaudited) |
| Profit attributable to the owners of the parent (HK$'000) | **9,138** | 8,285 |
| Weighted average number of ordinary shares in issue during the period | **231,141,476** | 224,700,846 |
| Basic earnings per share (expressed in HK cents per share) | **4.0** | 3.7 |


## 10. Earnings Per Share (continued)

### (b) Diluted

Diluted earnings per share is calculated by dividing the profit attributable to owners of the parent by the adjusted weighted average number of ordinary shares outstanding assuming conversion of dilutive potential of Award Shares. A calculation is done to determine the number of shares that could have been issued by exercising the right of Award Share under the Award Schemes.

| | Six months ended 30 June | |
|---|---|---|
| | **2017 (Unaudited)** | 2016 (Unaudited) |
| Profit attributable to the owners of the parent (HK$'000) | **9,138** | 8,285 |
| Weighted average number of ordinary shares in issue during the period | **231,141,476** | 224,700,846 |
| Adjustment for Award Shares (note 22 (b)) | **169,890** | – |
| Weighted average number of ordinary shares for diluted earnings per share calculation | **231,311,366** | 224,700,846 |
| Diluted earnings per share (expressed in HK cents per share) | **4.0** | 3.7 |

## 11. Property, Plant and Equipment

During the six months ended 30 June 2017, the Group purchased property, plant and equipment with an aggregate cost of HK$20,701,000 (six months ended 30 June 2016: HK$20,770,000) and an addition of property, plant and equipment of HK$97,682,000 was in relation to the Group's acquisition of subsidiaries. During the Reporting Period, property, plant and equipment with an aggregate carrying amount of HK$99,000 (six months ended 30 June 2016: HK$36,000) were disposed of by the Group.

## 12. Available-For-Sale Investments

| | 30 June 2017 HK$'000 (Unaudited) | 31 December 2016 HK$'000 (Audited) |
|---|---|---|
| Life insurance policies, at fair value | **13,951** | 13,760 |

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. Goodwill

| | 2017 HK$'000 (Unaudited) |
|---|---|
| At 1 January | **–** |
| Acquisition of subsidiaries (note 24) | **148,397** |
| At 30 June 2017 | **148,397** |

### Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units (the "CGU") for impairment testing:

- Plantation CGU; and
- Chinese herbal products CGU.


## 13. Goodwill (continued)

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

| | 30 June 2017 HK$'000 (Unaudited) |
|---|---|
| Plantation CGU | 134,692 |
| Chinese herbal products CGU | 13,705 |
| | 148,397 |

The recoverable amount of each CGU has been determined based on a value in use calculation using cash flow projection based on financial budgets or forecasts approved by management covering a period of 5 to 9 years. The growth rates used to extrapolate the cash flows beyond the period are based on the estimated growth rate of each unit taking into account the industry growth rate, past experience and the medium or long term growth target of each CGU.

The post-tax discount rates applied to cash flow projections and the growth rates used to extrapolate cash flows beyond the 5 to 9 year period are as follows:

| | 30 June 2017 | |
|---|---|---|
| | Growth Rate | Post-tax Discount Rate |
| Plantation CGU | 2.5% | 18% |
| Chinese herbal products CGU | 2.3% | 15% |

Assumptions were used in the value in use calculation of each CGU as at 30 June 2017. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill of each CGU:

Budgeted sales amounts — The budgeted sales amounts are based on the historical sales data and market outlook perceived by management.

Budgeted gross margins — The bases used to determine the values assigned to the budgeted gross margins are the average gross margins achieved in the year immediately before the budget year, adjusted for expected efficiency gains and expected market development.

## 13. Goodwill (continued)

Post-tax discount rates — The discount rates used should reflect specific risks relating to the relevant CGUs.

Budgeted raw materials purchase prices — The bases used to determine the values assigned to budgeted raw materials purchase prices are the forecasted price indices during the budget year for those countries where raw materials are sourced.

The values assigned to the key assumptions on market development of the CGUs, discount rates and raw materials purchase prices are consistent with external information sources.

In the opinion of the directors of the Company, any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of each CGU to exceed its recoverable amount.

## 14. Inventories

| | 30 June 2017 HK$'000 (Unaudited) | 31 December 2016 HK$'000 (Audited) |
|---|---|---|
| Raw materials | 39,222 | 64,358 |
| Work in progress | 40,501 | 24,945 |
| Finished goods | 148,164 | 80,270 |
| | 227,887 | 169,573 |
| Less: provision | (1,760) | (2,509) |
| | 226,127 | 167,064 |


## 15. Biological Assets

| | 30 June 2017<br>HK$'000<br>(Unaudited) |
|---|---|
| As at 1 January | – |
| Acquisition of subsidiaries (note 24) | 13,243 |
| Addition during the period | 683 |
| | 13,926 |

The biological assets of the Group are raw Chinese herbs. The Group did not harvest any raw Chinese herbs during the Reporting Period.

The fair value of the biological assets is estimated using the discounted cash flows of the underlying biological assets. The periodic cash flow is estimated as gross income less rental expenses, labour costs, utilities and other operating and management expenses (the "Periodic Cash Flow") and discounted at a market-derived discount rate in order to establish the present value of the income stream associated with the biological assets.

Significant assumptions made and key inputs in determining the fair values of the biological assets based on discounted cash flow projections are as follows:

(i) the raw Chinese herbs will continue to be competently managed and remain free from irremediable diseases in their remaining estimated useful lives;

(ii) the duration of the cash flows and the specific timing of inflows and outflows are determined by events such as life of raw Chinese herbs;

(iii) estimated yields of raw Chinese herbs are estimated based on the amount planted, health condition, expected death rate, and production conversion rate (form number of plants to Chinese herbs in kg) if necessary;

(iv) the expected prices and price growth rate of raw Chinese herbs are estimated based on the historical average district prices; and

(v) A market-derived discount rate of 18% is applied to the projection of the Periodic Cash Flow.

## 15. Biological Assets (continued)

A significant increase or decrease in the expected prices and price growth rate and the estimated yields would result in a significant increase or decrease in the fair value of the biological assets. A significant increase or decrease in the discount rate in isolation would result in a significant decrease or increase in the fair value of the biological assets. Generally, a change in the assumption made for the estimated price of Chinese medicinal materials is accompanied by a directionally similar change in the price growth rate of raw Chinese herb per annum and the discount rate and an opposite change in the estimated production volume.

## 16. Trade and Bills Receivables

| | 30 June 2017 HK$'000 (Unaudited) | 31 December 2016 HK$'000 (Audited) |
|---|---|---|
| Trade receivables | 297,063 | 234,652 |
| Bills receivables | 3,328 | 1,554 |
| | 300,391 | 236,206 |
| Less: impairment of trade and bills receivables | (4,654) | (4,517) |
| | 295,737 | 231,689 |

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.


## 16. Trade and Bills Receivables (continued)

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 2017 HK$'000 (Unaudited)** | 31 December 2016 HK$'000 (Audited) |
|---|---|---|
| Within 1 month | **58,230** | 124,199 |
| 1 to 3 months | **65,918** | 42,690 |
| 3 to 6 months | **40,781** | 24,841 |
| Over 6 months | **130,808** | 39,959 |
| | **295,737** | 231,689 |

## 17. Prepayments, Deposits and Other Receivables

| | **30 June 2017 HK$'000 (Unaudited)** | 31 December 2016 HK$'000 (Audited) |
|---|---|---|
| Prepayments | **55,681** | 26,919 |
| Receivables from third party agents | **2,339** | 6,826 |
| Deposits and other receivables | **22,381** | 14,973 |
| | **80,401** | 48,718 |
| Less: impairment of other receivables | **(243)** | (235) |
| | **80,158** | 48,483 |
| Portion classified as non-current | **(27,061)** | (8,845) |
| Current portion | **53,097** | 39,638 |

## 18. Cash and Cash Equivalents

| | 30 June 2017 HK$'000 (Unaudited) | 31 December 2016 HK$'000 (Audited) |
|---|---|---|
| Cash and cash equivalents are dominated in: | | |
| Renminbi ("RMB") | 51,477 | 21,782 |
| HK$ | 72,839 | 167,095 |
| Japanese yen ("JPY") | 21,105 | 14,691 |
| Canadian dollar ("CAD") | 2,947 | 3,158 |
| Australian dollar ("AUD") | 2,658 | 2,403 |
| United States dollar ("US$") | 5,624 | – |
| Cash and cash equivalents | 156,650 | 209,129 |

## 19. 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 2017 HK$'000 (Unaudited) | 31 December 2016 HK$'000 (Audited) |
|---|---|---|
| Within 1 month | 26,233 | 35,736 |
| 1 to 2 months | 14,386 | 22,687 |
| 2 to 3 months | 5,715 | 12,747 |
| Over 3 months | 25,321 | 3,021 |
| | 71,655 | 74,191 |

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.


## 20. Interest-Bearing Bank and Other Borrowings

| | 30 June 2017 (Unaudited) | | |
|---|---|---|---|
| | Effective interest rate (%) | Maturity | HK$'000 |
| **Current** | | | |
| Bank loans — secured | 3.75–5.22 | On demand | 152,433 |
| Bank loans — unsecured | 1.85–6.00 | On demand | 253,199 |
| Bank loans — unsecured | 2.20–2.95 | 2018 | 12,087 |
| | | | 417,719 |
| **Non-current** | | | |
| Bank loans — secured | 2.20–2.95 | 2022 | 85,264 |
| Other borrowing — secured | 8.00 | 2021 | 34,500 |
| | | | 119,764 |
| Total | | | 537,483 |

| | 31 December 2016 (Audited) | | |
|---|---|---|---|
| | Effective interest rate (%) | Maturity | HK$'000 |
| **Current** | | | |
| Bank loans — secured | 2.70–5.22 | On demand | 109,270 |
| Bank loans — unsecured | 1.90–6.00 | On demand | 151,778 |
| Total | | | 261,048 |

## 20. Interest-Bearing Bank and Other Borrowings (continued)

| | 30 June 2017 HK$'000 (Unaudited) | 31 December 2016 HK$'000 (Audited) |
|---|---|---|
| Analysed into: | | |
| Bank loans and other borrowings payable: | | |
| Within one year or on demand | **417,719** | 261,048 |
| In the second year | **19,898** | – |
| In the third to fifth years, inclusive | **99,866** | – |
| | **537,483** | 261,048 |

Interest-bearing bank and other borrowings are denominated in:

| | 30 June 2017 HK$'000 (Unaudited) | 31 December 2016 HK$'000 (Audited) |
|---|---|---|
| HK$ | **374,550** | 166,778 |
| RMB | **162,933** | 94,270 |
| | **537,483** | 261,048 |

(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 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$11,173,000 (31 December 2016: HK$4,481,000) 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 2017, the Group's bank facilities including overdraft amounting to HK$666,510,000 (31 December 2016: HK$458,595,000) of which HK$502,983,000 (31 December 2016: HK$261,048,000) had been utilised.


## 20. Interest-Bearing Bank and Other Borrowings (continued)

(c) The following assets were pledged as securities for interest-bearing bank and other borrowings:

| | Carrying value | |
|---|---|---|
| | **30 June 2017 HK$'000 (Unaudited)** | 31 December 2016 HK$'000 (Audited) |
| Property, plant and equipment | **103,077** | 54,124 |
| Prepaid land lease payments | **16,550** | 2,779 |
| Available-for-sale investments | **2,604** | 2,570 |
| Inventories | **40,250** | 39,022 |
| Trade receivables | **76,751** | – |
| Pledged bank deposits | **9,076** | 11,000 |
| | **248,308** | 109,495 |

## 21. Share Capital

| | **30 June 2017 HK$'000** | 31 December 2016 HK$'000 |
|---|---|---|
| Authorised: | | |
| 50,000,000,000 ordinary shares of US$0.1 (HK$0.775) each | **38,750,000** | 38,750,000 |
| Issued and fully paid: | | |
| 247,717,920 (31 December 2016: 225,000,000) ordinary shares of US$0.1 (HK$0.775) each | **191,981** | 174,375 |

## 21. Share Capital (continued)

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 31 December 2016 and 1 January 2017 | 225,000,000 | 174,375 | 150,616 | 324,991 |
| Issue of ordinary shares for the equity consideration for acquisition of subsidiaries (note 24) | 22,717,920 | 17,606 | 60,998 | 78,604 |
| Final 2016 dividend | – | – | (4,942) | (4,942) |
| At 30 June 2017 | 247,717,920 | 191,981 | 206,672 | 398,653 |

## 22. 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.


## 22. Share Option Scheme and Shares Held for the Share Award Scheme (continued)

### (a) Share option scheme (continued)

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.

### (b) Shares held for the share award scheme

The Board has 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 administrating the Share Award Scheme. The Share Award Scheme Trust will acquire the Company's shares from the Stock Exchange, with a maximum number determined by the Board, and hold the shares granted to the employees but not vested for the employees until they are vested. Unless early terminated by the Board, the 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 2017, no share was purchased by the Share Award Scheme Trust shares through the Stock Exchange and received cash dividend of HK$62,000 (2016: HK$67,000) which will be used to pay for the fees of the trust or acquire the Company's own ordinary shares.

## 22. Share Option Scheme and Shares Held for the Share Award Scheme (continued)

### (b) Shares held for the share award scheme (continued)

As at 30 June 2017, the Share Award Scheme Trust holds 3,021,000 (31 December 2016: 3,021,000) shares of the Company.

On 16 June 2017 (the "Date of Grant"), the board of the directors of the Company resolved to grant share awards in respect of a total of 2,050,000 shares (the "Award Shares") to 18 persons who are Eligible Award Participants. Details of the grant of Award Shares pursuant to the Award Scheme have been set out in the Company's announcement dated 16 June 2017.

Summary of particulars of the Award Shares granted is as follows:

| Date of Grant | Number of outstanding Awarded Shares as at the Date of Grant | Fair value | Vesting Date | Number of Awarded Shares | |
|---|---|---|---|---|---|
| | | | | Vested during the period | Outstanding as at 30 June 2017 |
| | | HK$'000 | | | |
| 16 June 2017 | 615,000 | 2,295 | 16 June 2018 | – | 615,000 |
| 16 June 2017 | 410,000 | 1,529 | 16 June 2019 | – | 410,000 |
| 16 June 2017 | 410,000 | 1,529 | 16 June 2020 | – | 410,000 |
| 16 June 2017 | 410,000 | 1,529 | 16 June 2021 | – | 410,000 |
| 16 June 2017 | 205,000 | 765 | 16 June 2022 | – | 205,000 |
| | 2,050,000 | 7,647 | | – | 2,050,000 |

The Group recognised a share award expense of HK$157,000 during the six months ended 30 June 2017.

## 23. 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.


## 23. Reserves (continued)

### 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.

## 24. Business Combination

On 7 March 2017, the Group completed the acquisition of 100% equity interest of K'an Herb Company, Inc. ("Kan") at a total cash consideration of US$5,400,000 (equivalent to approximately HK$42,011,000). Kan was incorporated in Santa Cruz, California, U.S. and is principally engaged in manufacturing of Chinese herbal products in U.S. and sales to distributors and healthcare practitioners in U.S. and Europe.

Acquisition of Kan allows the Group leverage on the expertise, resources, and sale network of Kan to develop its business in the U.S. market immediately. The acquisition can also create synergies with its existing products and expand the products portfolio of the Group's Chinese medicine products to increase the competitiveness of the Group in the market.

On 19 April 2017, the Group completed the acquisition of 100% equity interest of Gold Sparkle (Guizhou) Chinese Medicine Co., Ltd. and Gold Sparkle (Guizhou) HZ Plantation Co., Ltd. (the "Plantation Subsidiaries"), which was settled by a combination of cash in the amount of RMB100,700,000 (equivalent to approximately HK$115,281,000) and allotments of 22,717,920 shares of the Company's shares at fair value of HK$78,604,000.

The Plantation Subsidiaries are engaged in plantation and trading of raw Chinese herbs and manufacturing and sale of TCM decoction pieces. The acquisition of Plantation Subsidiaries will allow the Group to vertically integrate the upstream raw Chinese herbs plantation and trading segment into the Group's CCMG business segment for the purpose of ensuring a stable supply of high-quality raw Chinese herbs at a lower cost. One of the current expansion plans and business strategies of the Group is to expand into the TCM decoction pieces business which is highly complementary to its existing CCMG business. The acquisition will allow the Group to immediately enter into the TCM decoction pieces industry and the expanded comprehensive product mix of the Group's CCMG, over-the counter Chinese healthcare products and TCM decoction pieces will highly improve the competitiveness of the Group in the market.

## 24. Business Combination (continued)

The fair values of the identifiable assets and liabilities of Kan and Plantation Subsidiaries as at the respective acquisition dates were as follows:

| | Fair value recognised on acquisition date | |
|---|---|---|
| | Kan | Plantation Subsidiaries |
| | HK$'000 | HK$'000 |
| Property, plant and equipment | 3,493 | 94,189 |
| Other intangible assets | – | 362 |
| Prepaid land lease payments | – | 14,510 |
| Deferred tax assets | – | 1,514 |
| Prepayment, deposit and other receivables | 1,330 | 22,890 |
| Inventories | 19,301 | 21,225 |
| Biological assets | – | 13,243 |
| Trade receivables | 2,794 | 38,230 |
| Cash and bank balances | 5,031 | 2,643 |
| Trade and bills payables | (1,056) | (18,424) |
| Tax payable | (26) | – |
| Other payables | (1,268) | (96,208) |
| Interest-bearing bank and other borrowings | – | (34,344) |
| Government grants | – | (637) |
| Deferred tax liabilities | (1,293) | – |
| Total identifiable net assets at fair value | 28,306 | 59,193 |
| Goodwill on acquisition | 13,705 | 134,692 |
| | 42,011 | 193,885 |
| Satisfied by: | | |
| Cash | 42,011 | 115,281 |
| Equity instruments | – | 78,604 |
| | 42,011 | 193,885 |

The purchase price allocation of Kan and Plantation Subsidiaries are still preliminary, pending the finalisation of valuation of certain assets and the determination of the tax basis of the assets and liabilities acquired.

The fair value of the 22,717,920 ordinary shares issued as part of the consideration was based on the closing price of HK$3.46 per share on 19 April 2017.


## 24. Business Combination (continued)

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$41,024,000 and HK$11,668,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK$41,024,000 and HK$11,668,000, respectively, none of which are expected to be uncollectible.

During the six months ended 30 June 2017, the Group incurred transaction costs of HK$3.5 million for above acquisitions. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

The fair value of the acquired identifiable intangible assets of HK$362,000 (representing computer software) is based on valuation report issued by independent valuer, Savills Valuation and Professional Service Ltd..

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

| | Kan<br>HK$'000<br>(Unaudited) | Plantation Subsidiaries<br>HK$'000<br>(Unaudited) | Total<br>HK$'000<br>(Unaudited) |
|---|---|---|---|
| Cash consideration | (42,011) | (115,281) | (157,292) |
| Cash and bank balances acquired | 5,031 | 2,643 | 7,674 |
| Net outflow of cash and cash equivalents included in cash flows from investing activities | (36,980) | (112,638) | (149,618) |

Since the acquisition, the Kan and the Plantation subsidiaries contributed HK$9,787,000 and HK$10,326,000 to the Group's revenue and contributed a loss of HK$47,000 and a gain of HK$880,000 to the consolidated profit for the six months ended 30 June 2017, respectively.

Had the combinations taken place at the beginning of the year, the proforma revenue and profit of the Group for the six months ended 30 June 2017 would have been HK$279,861,000 and HK$8,147,000, respectively.

## 25. Operating Lease Arrangements

### As lessee

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

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

| | 30 June 2017 HK$'000 (Unaudited) | 31 December 2016 HK$'000 (Audited) |
|---|---|---|
| Within one year | 26,948 | 17,849 |
| In the second to fifth years, inclusive | 20,232 | 20,496 |
| Over five years | 6,186 | – |
| | 53,366 | 38,345 |

## 26. Commitments

In addition to the operating lease commitments detailed in note 25 above, the Group had the following capital commitments at the end of each of the Reporting Period:

| | 30 June 2017 HK$'000 (Unaudited) | 31 December 2016 HK$'000 (Audited) |
|---|---|---|
| Contracted, but not provided for: | | |
| Acquisition of subsidiaries* | – | 217,512 |
| Lands and buildings | 84,311 | 48,582 |
| Plant and machinery | 5,547 | 8,866 |
| Intangible assets | 1,419 | – |
| | 91,277 | 274,960 |

* As at 31 December 2016, the Group had contracted for capital commitments in respect of the acquisition of the Plantation Subsidiaries amounting to RMB190,000,000 (equivalent to approximately HK$217,512,000). Such acquisition was completed on 19 April 2017.

## 27. 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. 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 Corporate 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. ("Gold Sparkle DZ") | Company controlled by a director |
| *Gold Sparkle (Guizhou) HZ Plantation Co. Ltd. ("Gold Sparkle HZ") | Company controlled by a director |

* Gold Sparkle DZ and Gold Sparkle HZ were no longer the Group's related parties following the Group's acquisition of 100% of their equity interest on 19 April 2017.

## 27. Related Party Transactions (continued)

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

| | | Six months ended 30 June | |
|---|---|---|---|
| | | 2017 | 2016 |
| | | HK$'000 | HK$'000 |
| | | (Unaudited) | (Unaudited) |
| Software license fee and IT service fee | (i) | – | 781 |
| Acquisition of other intangible assets | (ii) | – | 8,561 |
| Purchase of raw materials | (iii) | 462 | 6,824 |
| Professional service fees | (iv) | 328 | 371 |
| Acquisition of subsidiaries | (v) | 193,885 | – |

Notes:

(i) 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 in March 2016, no further software license fee and IT service fee was paid to HerbMiners subsequently.

(ii) The acquisition of other intangible assets represented transfer of the titles, interests and rights of the two Chinese medicines management software developed by HerbMiners to the Group. 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.

(iii) The purchase of raw materials was made from Gold Sparkle DZ, 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. Following the Group's acquisition of 100% equity interest in Gold Sparkle DZ on 19 April 2017, Gold Sparkle DZ become a wholly-owned subsidiary of the Group and the transaction after the acquisition is not related party transaction.

(iv) The professional service fees were paid to the related companies, over which Mr. Eddie Chan, has significant influence, under a price mutually agreed by both parties.

(v) During the six months ended 30 June 2017, the Group acquired Gold Sparkle DZ and Gold Sparkle HZ from a related company of which ultimate shareholders was Mr. Chan at a consideration of HK$193,885,000, based on arm's length negotiations in reference to the appraised value determined by an independent third party valuer. Further details of the transactions are included in note 24 to the financial statements.


## 27. Related Party Transactions (continued)

(c) Outstanding balances with related parties:

| | 30 June 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | | Maximum amount outstanding | | Maximum amount outstanding |
| | HK$'000 (Unaudited) | HK$'000 (Unaudited) | HK$'000 (Audited) | HK$'000 (Audited) |
| **Trade payables** | | | | |
| Gold Sparkle HZ | – | – | 147 | 147 |

* The above balances were unsecured, interest-free and settled on terms of two months.

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

| | Six months ended 30 June | |
|---|---|---|
| | 2017 HK$'000 (Unaudited) | 2016 HK$'000 (Unaudited) |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | 3,756 | 5,363 |
| Pension scheme contributions | 27 | 27 |
| Equity-settled share award expense | 59 | – |
| | 3,842 | 5,390 |

## 28. 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 and other borrowings.

Management has assessed that:

(a) the fair value of the 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.

## 29. Events after the Reporting Period

On 14 August 2017, the Group entered into share purchase agreements with all the shareholders of SODX Co., Ltd. ("SODX") in relation to the Company's acquisition of entire issued and outstanding shares of SODX at a total cash consideration of JPY244.0 million (equivalent to approximately HK$17.1 million). SODX was incorporated in Japan and is principally engaged in manufacturing and sales of health food in Japan. The acquisition of SODX has yet to be completed as at the date of this report. Details of the acquisition of SODX have been set out in the Company's announcements dated 14 August 2017.

## 30. Approval of Financial Statements

The interim condensed consolidated financial statements were approved and authorised for issue by board of directors on 25 August 2017.


PuraPharm

PuraPharm Corporation Limited
培 力 控 股 有 限 公 司

Suite 4002, Jardine House, 1 Connaught Place, Central, Hong Kong
香港中環康樂廣場 1 號怡和大廈 4002 室
Tel 電話：(852) 2840 1840

www.purapharm.com