PuraPharm®

# PURAPHARM CORPORATION LIMITED
# 培力控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1498)**

# ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

## FINANCIAL HIGHLIGHTS

| | Year ended 31 December | | Change | |
|---|---|---|---|---|
| | **2015** | 2014 | | |
| | ***HK$'000*** | *HK$'000* (Restated)** | *HK$'000* | % |
| **Financial highlights** | | | | |
| Revenue | | | | |
| China CCMG | **251,580** | 175,240 | 76,340 | 43.6 |
| Hong Kong CCMG | **156,066** | 145,234 | 10,832 | 7.5 |
| Chinese healthcare products | **47,664** | 40,069 | 7,595 | 19.0 |
| Nong's® (農本方®) Chinese medicine clinics | **18,590** | 5,809 | 12,781 | 220.0 |
| | **473,900** | 366,352 | 107,548 | 29.4 |
| Gross profit | **305,732** | 232,111 | 73,621 | 31.7 |
| Profit for the year | **28,458** | 34,507 | (6,049) | (17.5) |
| *Adjusted profit for the year | **47,457** | 40,258 | 7,199 | 17.9 |
| Dividend per share (HK cents) | **8.89** | – | 8.89 | N/A |
| Key profitability ratio | | | | |
| Gross profit ratio | **64.5%** | 63.4% | | |
| *Adjusted profit margin ratio | **10.0%** | 11.0% | | |

* Adjusted profit for the year representing the net profit for the year adjusted for listing expense. Adjusted profit is not a measure of performance under HKFRS. This measure does not represent and should not be used as a substitute for, gross profit or profit for the year as determined in accordance with HKFRS. In addition, the Group's definition of adjusted profit may not be comparable to other similarly titled measures used by other companies.

The Group presented adjusted profit and adjusted profit margin ratio because it believes they present a more meaningful picture of our financial performance than unadjusted numbers as they exclude the impact from an one-off listing expense.

** As compared with the segment information included in the audited financial statements for the year ended 31 December 2014, the sales of CCMG products through self-operated clinics were separately accounted for in the clinic segment for the year ended 31 December 2015. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation and disclosure.

The board (the "**Board**") of directors (the "**Directors**") of PuraPharm Corporation Limited (the "**Company**") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2015 (the "**Reporting Period**") as follows.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | | **Year ended 31 December** | |
|---|---|---|---|
| | | **2015** | 2014 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| REVENUE | *5* | **473,900** | 366,352 |
| Cost of sales | | **(168,168)** | (134,241) |
| Gross profit | | **305,732** | 232,111 |
| Other income and gains | *5* | **8,212** | 5,794 |
| Selling and distribution expenses | | **(140,214)** | (99,176) |
| Administrative expenses | | **(119,376)** | (81,028) |
| Other expenses | | **(3,977)** | (2,307) |
| Finance costs | | **(10,243)** | (13,064) |
| PROFIT BEFORE TAX | *6* | **40,134** | 42,330 |
| Income tax expense | *7* | **(11,676)** | (7,823) |
| PROFIT FOR THE YEAR | | **28,458** | 34,507 |
| Attributable to: | | | |
| Owners of the parent | | **28,458** | 34,463 |
| Non-controlling interests | | **–** | 44 |
| | | **28,458** | 34,507 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | *8* | | |
| Basic and diluted (expressed in HK$ per share) | | **0.15** | 74.54 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| PROFIT FOR THE YEAR | **28,458** | 34,507 |
| OTHER COMPREHENSIVE INCOME | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods: | | |
| Available-for-sale investments: | | |
| Changes in fair value | **(212)** | 297 |
| Income tax effect | **35** | (49) |
| | **(177)** | 248 |
| Exchange differences on translation of foreign operations | **(9,306)** | (2,054) |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX | **(9,483)** | (1,806) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | **18,975** | 32,701 |
| Attributable to: | | |
| Owners of the parent | **18,975** | 32,657 |
| Non-controlling interests | **–** | 44 |
| | **18,975** | 32,701 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | As at 31 December | |
|---|---|---|---|
| | | **2015** | 2014 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **93,713** | 77,729 |
| Prepaid land lease payments | | **25,253** | 2,832 |
| Intangible assets | | **8,939** | 7,134 |
| Available-for-sale investments | | **13,348** | 10,531 |
| Prepayments for non-current assets | | **8,035** | 11,431 |
| Deferred tax assets | | **6,872** | 5,047 |
| Total non-current assets | | **156,160** | 114,704 |
| CURRENT ASSETS | | | |
| Inventories | | **107,987** | 89,893 |
| Trade and bills receivables | *9* | **161,018** | 103,098 |
| Prepayments, deposits and other receivables | | **33,924** | 33,184 |
| Due from a director | | **–** | 11,822 |
| Due from a related company | | **–** | 240 |
| Pledged bank deposits | | **6,000** | 20,633 |
| Cash and cash equivalents | | **232,243** | 46,736 |
| Total current assets | | **541,172** | 305,606 |
| CURRENT LIABILITIES | | | |
| Trade payables | *10* | **38,091** | 44,546 |
| Other payables and accruals | | **56,468** | 37,688 |
| Interest-bearing bank borrowings | | **125,431** | 182,692 |
| Due to the immediate holding company | | **–** | 12,365 |
| Tax payable | | **4,668** | 3,780 |
| Government grants | | **1,294** | 1,504 |
| Total current liabilities | | **225,952** | 282,575 |
| NET CURRENT ASSETS | | **315,220** | 23,031 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **471,380** | 137,735 |

| | As at 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| TOTAL ASSETS LESS CURRENT LIABILITIES | **471,380** | 137,735 |
| NON-CURRENT LIABILITIES | | |
| Government grants | **1,497** | 1,909 |
| Deferred tax liabilities | **173** | 13 |
| Total non-current liabilities | **1,670** | 1,922 |
| Net assets | **469,710** | 135,813 |
| EQUITY | | |
| **Equity attributable to owners of the parent** | | |
| Share capital | **174,375** | 30,000 |
| Reserves | **295,335** | 105,689 |
| | **469,710** | 135,689 |
| Non-controlling interests | **–** | 124 |
| Total equity | **469,710** | 135,813 |

# NOTES TO FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION AND REORGANISATION

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

The Company is an investment holding company. During the year ended 31 December 2015, the Group was principally engaged in the research and development, production and sale of Concentrated Chinese Medicine Granules ("**CCMG**") products and Chinese healthcare products, as well as rendering of Chinese medical diagnostic services.

In the opinion of the Board, the ultimate holding company of the Company is Fullgold Development Limited, which was incorporated in the British Virgin Islands (the "**BVI**").

The Company's shares were listed on the Main Board of Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 8 July 2015 (the "**Listing**").

## 2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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 interests, even if this results in the non-controlling interests 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 above. 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. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
*Annual Improvements to HKFRSs 2010–2012 Cycle*
*Annual Improvements to HKFRSs 2011–2013 Cycle*

The nature and the impact of each amendment is described below:

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The Annual Improvements to HKFRSs 2010–2012 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- HKAS 16 Property, Plant and Equipment and HKAS 38 Intangible Assets: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- HKAS 24 Related Party Disclosures: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

(c) The Annual Improvements to HKFRSs 2011–2013 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 Business Combinations: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- HKFRS 13 Fair Value Measurement: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

- HKAS 40 Investment Property: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the acquisition of investment properties during the year was not a business combination and so this amendment is not applicable.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of securities on the Stock Exchange (the "Listing Rules") relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

## 4. OPERATING SEGMENT INFORMATION

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

(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; and

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

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 the government grants, interest income, net foreign exchange gain, finance costs, corporate and other unallocated expenses, listing expenses and income tax expense.

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

As compared with the segment information included in the audited financial statements for the year ended 31 December 2014, the sales of CCMG products through self-operated clinics were separately accounted for in the clinics segment for the year ended 31 December 2015. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation and disclosure.

The following tables present revenue, profit and other segment information for the Group's operating segments for the years ended 31 December 2015 and 2014.

**Year ended 31 December 2015**

| | 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 | **251,580** | **156,066** | **47,664** | **18,590** | **–** | **473,900** |
| Intersegment sales | **94,443** | **6,554** | **3,013** | **–** | **(104,010)** | **–** |
| | **346,023** | **162,620** | **50,677** | **18,590** | **(104,010)** | **473,900** |
| **Segment results** | **74,627** | **34,642** | **4,029** | **(11,056)** | **–** | **102,242** |
| *Reconciliations:* | | | | | | |
| Government grants | | | | | | **5,567** |
| Interest income | | | | | | **833** |
| Foreign exchange gain, net | | | | | | **150** |
| Finance costs | | | | | | **(10,243)** |
| Corporate and other unallocated expenses | | | | | | **(39,416)** |
| Listing expenses | | | | | | **(18,999)** |
| Profit before tax | | | | | | **40,134** |
| Income tax expense | | | | | | **(11,676)** |
| **Net profit** | | | | | | **28,458** |
| **Other segment information:** | | | | | | |
| Depreciation and amortisation | **10,021** | **1,696** | **935** | **970** | **–** | **13,622** |
| Provision for impairment of inventories | **3,101** | **58** | **24** | **–** | **–** | **3,183** |
| Provision for impairment of trade and bills receivables | **699** | **–** | **823** | **–** | **–** | **1,522** |

Year ended 31 December 2014

| | China CCMG *HK$'000* | Hong Kong CCMG *HK$'000* (restated) | Chinese healthcare products *HK$'000* | Clinics *HK$'000* (restated) | Elimination *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|
| **Segment revenue:** | | | | | | |
| Revenue to external customers | 175,240 | 145,234 | 40,069 | 5,809 | – | 366,352 |
| Intersegment sales | 81,628 | 3,058 | 7,242 | – | (91,928) | – |
| | 256,868 | 148,292 | 47,311 | 5,809 | (91,928) | 366,352 |
| **Segment results** | 44,616 | 31,651 | 8,974 | 3,740 | – | 88,981 |
| *Reconciliations:* | | | | | | |
| Government grants | | | | | | 3,663 |
| Interest income | | | | | | 714 |
| Foreign exchange gain, net | | | | | | 780 |
| Finance costs | | | | | | (13,064) |
| Corporate and other unallocated expenses | | | | | | (32,993) |
| Listing expenses | | | | | | (5,751) |
| Profit before tax | | | | | | 42,330 |
| Income tax expense | | | | | | (7,823) |
| **Net profit** | | | | | | 34,507 |
| **Other segment information:** | | | | | | |
| Depreciation and amortisation | 10,802 | 1,680 | 836 | 345 | – | 13,663 |
| Provision for impairment of inventories | 2,199 | 30 | 221 | – | – | 2,450 |

## Geographical information

*Revenue from external customers*

| | **2015** *HK$'000* | 2014 *HK$'000* |
|---|---|---|
| Hong Kong | **219,440** | 191,029 |
| Mainland China | **254,460** | 175,323 |
| | **473,900** | 366,352 |

The revenue information above is based on the locations of the customers.

## 5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; and the value of services rendered during the year.

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

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Revenue** | | |
| Sale of goods | **468,665** | 364,894 |
| Rendering of services | **5,235** | 1,458 |
| | **473,900** | 366,352 |
| **Other income and gains** | | |
| Government grants* | **5,567** | 3,663 |
| Bank interest income | **833** | 714 |
| Gain from the sale of equipment and accessories | **1,522** | 429 |
| Foreign exchange gain, net | **150** | 780 |
| Others | **140** | 208 |
| | **8,212** | 5,794 |

* The amount represented government grants from the relevant authorities in the People's Republic of China (the "PRC"), which consist primarily of subsidies and compensation for our 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 from continuing operations is arrived at after charging/(crediting):

| | 2015<br>*HK$'000* | 2014<br>*HK$'000* |
|---|---|---|
| Cost of inventories sold* | **165,628** | 133,581 |
| Cost of services provided | **2,540** | 660 |
| Depreciation | **12,110** | 12,749 |
| Amortisation of intangible assets | **1,117** | 837 |
| Research and development costs** | **15,603** | 16,133 |
| Minimum lease payments under operating leases: | | |
| Office equipment | **190** | 152 |
| Land and buildings | **13,089** | 8,114 |
| | **13,279** | 8,266 |
| Amortisation of land lease payments | **395** | 77 |
| Auditors' remuneration | **2,042** | 1,102 |
| Listing expense | **18,999** | 5,751 |
| Employee benefit expense (excluding directors' and chief executive's remuneration): | | |
| Wages and salaries | **80,042** | 58,174 |
| Pension scheme contributions | **11,512** | 8,212 |
| | **91,554** | 66,386 |
| Foreign exchange gain, net*** | **(150)** | (780) |
| Impairment of trade and bills receivables | **1,522** | – |
| Write-down of inventories to net realisable value | **3,183** | 2,450 |
| Loss on disposal of items of property, plant and equipment | **143** | 245 |

* Included in the cost of inventories sold, HK$3,183,000 (2014: HK$2,450,000) is disclosed in the item of "Write-down of inventories to net realisable value" above for the year ended 31 December 2015.

** Included in the research and development costs, HK$714,000 (2014: HK$1,005,000) is disclosed in the item of "Depreciation" and HK$7,000,000 (2014: HK$5,751,000) is disclosed in the item of "Employee benefit expense" above for the year ended 31 December 2015.

*** The foreign exchange gain, net is included in "Other income and gains" in the consolidated statement of profit or loss.

## 7. INCOME TAX

The Group is subject to income tax on an entity basis on profits 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 profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2015 and 2014. The statutory tax rate of the Group in respect of its operation in Mainland China is 25%. The Group's PRC subsidiary, Purapharm (Nanning) Pharmaceuticals Co., Limited is qualified as a High and New Technology Enterprise and was subject to a preferential income tax rate of 15%.

| | 2015<br>*HK$'000* | 2014<br>*HK$'000* |
|---|---|---|
| Current | **13,393** | 8,010 |
| Deferred | **(1,717)** | (187) |
| Total tax charge for the year | **11,676** | 7,823 |

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

| | **2015** | 2014 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Earnings per share attributable to ordinary equity holders of the Company | | |
| — Basic and diluted | **0.15** | 74.54 |

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of shares in issue during the year as follows:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation | **28,458** | 34,463 |

The calculation of the weighted average number of ordinary shares amounting to 195,873,288 (2014: 462,372) in issue for the year ended 31 December 2015, as adjusted to reflect the Subdivision of Shares on 12 June 2015 and Capitalisation Issue on 8 July 2015, is as follows:

| | **2015** | 2014 |
|---|---|---|
| Issue of share on 2 December 2011 | **1** | 1 |
| Issue of shares on 31 December 2014 | **3,870,967** | 10,605 |
| Effect of the Subdivision of Shares on 12 June 2015 *(Note a)* | **34,838,712** | 95,458 |
| Effect of Initial Public Offering on 8 July 2015 *(Note b)* | **27,123,288** | – |
| Effect of Capitalisation Issue on 8 July 2015 *(Note c)* | **130,040,320** | 356,308 |
| Weighted average number of ordinary shares | **195,873,288** | 462,372 |

*Note a* Pursuant to a written resolution of the shareholders of the Company passed on 12 June 2015, the issued shares of the Company was increased from 3,870,968 to 38,709,680 by subdivision of the par value of each share of the Company originally US$1.00 per share into US$0.10 each, ranking pari passu in all respects with the existing shares of the Company (the "Subdivision of Shares").

*Note b* On 8 July 2015 (the "Listing Date"), 56,250,000 new shares of US$0.1 (HK$0.775) each were issued at a price of HK$5.98 per share in connection with the Company's initial public offering on the Stock Exchange (the "Initial Public Offering").

*Note c* Pursuant to a written resolution of the shareholders of the Company passed on 12 June 2015, a total of 130,040,320 Shares of US$0.1 (HK$0.775) each were allotted and issued at par value to the shareholders as of the date immediately before the Listing Date on a pro rata basis by way of capitalisation of US$13,004,000 (HK$100,781,000) from the Company's share premium account on the Listing Date (the "Capitalisation Issue").

No adjustment has been made to the basic earnings per share amounts presented for the years 2015 and 2014 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the years.

## 9. TRADE AND BILLS RECEIVABLES

| | 2015 | 2014 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Trade receivables | **159,137** | 98,766 |
| Bills receivable | **2,910** | 4,670 |
| | **162,047** | 103,436 |
| Less: impairment of trade and bills receivables | **(1,029)** | (338) |
| | **161,018** | 103,098 |

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

An aged analysis of the trade and bills receivables as at 31 December 2015 and 2014, based on the invoice date and net of impairment, is as follows:

| | 2015 | 2014 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Within 1 month | **97,500** | 52,419 |
| 1 to 3 months | **22,213** | 21,030 |
| 3 to 6 months | **18,236** | 11,554 |
| Over 6 months | **23,069** | 18,095 |
| | **161,018** | 103,098 |

## 10. TRADE PAYABLES

An aged analysis of the trade and bills payables as at 31 December 2015 and 2014 based on the invoice date, is as follows:

| | 2015 | 2014 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Within 1 month | **22,193** | 20,614 |
| 1 to 2 months | **9,919** | 12,710 |
| 2 to 3 months | **4,142** | 5,500 |
| Over 3 months | **1,837** | 5,722 |
| | **38,091** | 44,546 |

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.

## 11. DIVIDENDS

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Proposed final dividend | | |
| — HK8.89 cents (2014: nil) per ordinary share | **20,003** | – |

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 12. EVENTS AFTER THE REPORTING PERIOD

**Adoption of 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 Board has further resolved on 22 February 2016 that a sum of HK$10,000,000 will be provided for the purchase of the Company's shares to be awarded to the Eligible Award Participants to be selected by the Board. Up to the reporting date, the Company has not purchased any of the Company's shares and awarded any shares to the Eligible Award Participants.

**Acquisition of intellectual properties**

On 23 March 2016, Nong's Company Limited, a wholly-owned subsidiary of the Group, entered into a sale and purchase agreement (the "Agreement") with Herbminers Informatics Limited ("Herbminers"). Herbminers is ultimately owned as to 80% by Mr. Chan Yu Ling, Abraham ("Mr. Abraharm Chan"), an executive director and a controlling shareholder of the Company. As such, Herbminers is a connected person of the Company. Pursuant to the Agreement, Herbminers agreed to sell and assign the intellectual properties which comprise the titles, interests and rights in respect of its two Chinese medicines management software, namely the Traditional Chinese Medicine Advisor and Herbminers Dispensary Management System, to Nong's Company Limited at an aggregate consideration of HK$8,561,000.

Except as disclosed above, there are no material subsequent events undertaken by the Company or by the Group after the reporting period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PROSPECTS

To fuel future growth, the Group continues to strengthen its leading position in the CCMG product market in Hong Kong and significantly expand its presence in Mainland China. In view of the huge demand for convenient access to CCMG by patients and leveraging the success of the Group's Nong's® (農本方®) clinic business model in Hong Kong, the Group is in the process of establishing its Nong's® (農本方®) clinics model in mainland China and plan to work with local business partners to establish Nong's® (農本方®) clinics in selected regions there.

Leveraging its strong brand recognition in Hong Kong as well as its competitive strengths including product quality, safety and operational expertise, the Group continues to replicate its successful business model in the CCMG market in China. The strategic partnership with provincial distributors, who have strong and experienced team to sell and distribute TCM throughout mainland China, enables the Group to expand its geographical reach into the new target cities to capture the tremendous rising opportunities.

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

## SALES PERFORMANCE

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2015** | | 2014 | | Growth rate |
| | ***Revenue HK$'000*** | ***% of total*** | *Revenue HK$'000* | *% of total* | |
| China CCMG | **251,580** | **53.1%** | 175,240 | 47.9% | 43.6% |
| Hong Kong CCMG | **156,066** | **32.9%** | 145,234 | 39.6% | 7.5% |
| Chinese healthcare products | **47,664** | **10.1%** | 40,069 | 10.9% | 19.0% |
| Nong's® (農本方®) Chinese medicine clinics | **18,590** | **3.9%** | 5,809 | 1.6% | 220.0% |
| Total | **473,900** | **100.0%** | 366,352 | 100.0% | 29.4% |

For the year ended 31 December 2015, the Group's revenue was HK$473.9 million, representing an increase of HK$107.5 million or 29.4% compared to HK$366.4 million in last year, which was mainly attributable to the strong revenue growth of the Group's CCMG products in Mainland China and fast expansion of the Group's Nong's® (農本方®) Chinese medicine clinics in Hong Kong.

### China CCMG

The Group markets and distributes its CCMG products in China through both direct sales channels and third party distributors to hospitals and medical institutions. For the year ended 31 December 2015, the sales of CCMG products in China was HK$251.6 million, representing an increase of HK$76.4 million or 43.6% compared to HK$175.2 million in last year. Subsequent to the Group's consolidation of distribution network in 2014 to increase the sales efficiency, the Group's resources are more focused on the direct sales customers and better-performing distributors, and this led to attributable to an increase in sales volume of the Group's CCMG products to both direct sales customers and distributors.

In order to increase the effectiveness of launching and selling its products in target markets within a short period of time, the Group has appointed Heilongjiang ZBD Pharmaceutical Co Ltd. ("**ZBD Pharma**"), as its distributor for CCMG products in five provinces in China, namely, Heilongjiang, Anhui, Liaoning, Hebei and Henan, on an exclusive basis (save for the distributors who were appointed by the Group prior to the appointment of ZBD Pharma). Leveraging on ZBD Pharma's strong customer base and relationship with hospitals and medical institutions, the collaboration led to an increase in sales of the Group's CCMG products in those five provinces during the year.

**HK CCMG**

The Group markets and distributes its CCMG product in Hong Kong through (i) direct sales to its customers comprising hospitals, Chinese medicine clinics, non-profit organisations and private Chinese medicine practitioners and (ii) self-operated Nong's® (農本方®) Chinese medicine clinics, which would be analysed in separate section below. For the year ended 31 December 2015, the direct sales of CCMG products in Hong Kong was HK$156.1 million, representing an increase of HK$10.9 million or 7.5% compared to HK$145.2 million in last year. 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 in Hong Kong.

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

Leveraging its market leadership position in Hong Kong and the well-known brand Nong's® (農本方®) brand, the Group intends to extend market penetration to increase revenue, and diversity into a new Chinese medicine clinic business model to capture growing market demand and further increase its CCMG product market share in Hong Kong. The Group has established Nong's® (農本方®) Chinese medicine clinics by procuring premises within shopping malls and partnering with registered Chinese medicine practitioners to operate these Chinese medicine clinics, on the Group's behalf, under its Nong's® (農本方®) brand. Such clinics provide one-stop services, including medical diagnostic and dispensary services involving CCMG products.

For the year ended 31 December 2015, the sales of CCMG products and provision of Chinese medical diagnostic services from the Group's Nong's® (農本方®) Chinese medicine clinics generated revenue of HK$18.6 million in aggregate, representing an increase of HK$12.8 million or 2.2 times compared to HK$5.8 million in last year, which was mainly attributable to the fast expansion of the Nong's® (農本方®) Chinese medicine clinics network, from 7 clinics in last year to 30 clinics in 2015.

In view of the large demand and the growth potential of the traditional Chinese medicine ("**TCM**") clinics market in Hong Kong, the Group expressed its commitment to develop its Nong's® (農本方®) clinic business during its Initial Public Offering in mid-2015 — seeking to operate 30 clinics by the end of 2015. Compared to just three TCM clinics as at 30 June 2014, the number of clinics operated by the Group has been increased tenfold in approximately one and a half years, and is a testament to its strong confidence in this business.

As one of the growth engines of the Group's business, it has expedited the expansion of the Nong's®(農本方®) clinics business in recent years, aiming to further enhance its brand recognition in Hong Kong. The rapid expansion of the clinics operation underscores the huge demand for Chinese medicine, as well as the increasing popularity of CCMG in Hong Kong. In choosing locations for the clinics, the Group has placed priority on high population density, a shortage of modernized Chinese medicine clinics, and reasonable rental rates. The clinics are strategically located in shopping malls or in the neighborhoods of housing estates and offices, bringing an ideal return both to the Group and to its registered TCM practitioner partners.

**Chinese healthcare products**

For the year ended 31 December 2015, revenue from sales of Chinese healthcare products was HK$47.7 million, representing an increase of HK$7.6 million or 19.0% compared to HK$40.1 million in last year, mainly attributable to better sales performance of PuraGold® and Nong's® Flu Formula products. The Group's promotional and marketing strategies increase the brand awareness and demand of the Group's Chinese healthcare products.

## PROFITABILITY

| | Year ended 31 December | | |
|---|---|---|---|
| | **2015** | 2014 | Growth Rate |
| | ***HK$'000*** | *HK$'000* | |
| Revenue | **473,900** | 366,352 | 29.4% |
| Cost of sales | **(168,168)** | (134,241) | 25.3% |
| Gross Profit | **305,732** | 232,111 | 31.7% |
| Gross profit margin | **64.5%** | 63.4% | |

The Group's gross profit margin for the year ended 31 December 2015 was approximately 64.5%, representing an increase of 1.1 percentage points compared to last year. The increase in gross profit margin was mainly attributable to the increase in portion of revenue generated from Nong's® (農本方®) Chinese medicine clinics from which the Group generated a higher gross profit margin.

## OTHER INCOME AND GAINS

The Group's other income and gains mainly comprised of government grants, gain from sale of equipment and accessories and interest income. For the year ended 31 December 2015, the Group's other income and gain was HK$8.2 million, representing an increase of HK$2.4 million or 41.7% compared to HK$5.8 million in last year. The increase was mainly due to the increase in government grants received and gain from sale of equipment and accessories.

## SELLING AND DISTRIBUTION EXPENSES

The Group's selling and distribution expenses mainly comprised of advertising and promotion expenses, sales and marketing staff costs, delivery and storage costs, depreciation expense, traveling and business development expenses. For the year ended 31 December 2015, the Group's selling and distribution expenses were HK$140.2 million, representing an increase of HK$41.0 million or 41.4% compared to HK$99.2 million in last year. The increase was mainly attributable to (i) increased advertising and promotional activities to strengthen the promotion of the Group's products and brands, and (ii) an increase in the Group's in-house sales and marketing personnel head count to strengthen its sales team for business development, including the sales team for Nong's® (農本方®) Chinese medicine clinics development.

## ADMINISTRATIVE EXPENSES

The Group's administrative expenses mainly comprised of staff costs, research and development costs, rental expenses, legal and professional fees, listing expenses, clinic management fee, depreciation and amortisation, and other general administrative expenses. For the year ended 31 December 2015, the Group's administrative expenses were HK$119.4 million, representing an increase of HK$38.4 million or 47.3% compared to HK$81.0 million in last year. The increase was mainly attributable to (i) an one-off listing expense of HK$19.0 million, and (ii) an increase in clinic management fee and rental expenses in relation to the Group's Nong's® (農本方®) Chinese medicine clinics as the Group operated 30 clinics in 2015, as compared to seven clinics in last year.

## OTHER EXPENSES

The Group's other expenses mainly comprised of charity donation, foreign exchange loss and miscellaneous expenses. The increase was primarily attributable to an increase in its charity donations mainly in Hong Kong.

## FINANCE COSTS

For the year ended 31 December 2015, the Group's finance costs amounted to HK$10.2 million, representing a decrease of HK$2.9 million or 21.6% as compared to HK$13.1 million in last year. The decrease was mainly due to the decrease in bank borrowings during the year ended 31 December 2015.

## INCOME TAX EXPENSE

For the year ended 31 December 2015, the Group's income tax expenses amounted to HK$11.7 million, representing an increase of HK$3.9 million or 49.3% as compared to HK$7.8 million in last year. The increase was mainly due to the increase in taxable profit arising from the Group's operation in China, and the tax effect of non-deductible listing expense.

## ADJUSTED PROFIT

Adjusted profit, which consists of profit for the year adjusted for listing expense, was HK$47.5 million for the year ended December 2015, increased by HK$7.2 million or 17.9% compared to HK$40.3 million in last year. The increase was mainly attributable to the increase in revenue and gross profit improvement.

## LIQUIDITY AND FINANCIAL RESOURCES

### Cash position and interest-bearing bank borrowings

As at 31 December 2015, the Group had net current assets of HK$315.2 million (31 December 2014: HK$23.0 million), which included cash and cash equivalent of HK$232.2 million (31 December 2014: HK$46.7 million) and interest-bearing bank borrowings amounting to HK$125.4 million (31 December 2014: HK$182.7 million). As at 31 December 2015, the Group's unused bank facilities amounted to HK$114.1 million (31 December 2014: HK$52.1 million).

### Cash flow and liquidity ratio analysis

| | **Year ended 31 December** | |
|---|---|---|
| | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| Net cash (used in) from operating activities | **(12,570)** | 31,091 |
| Net cash used in investing activities | **(44,760)** | (24,634) |
| Net cash from (used in) financing activities | **267,797** | (259) |
| Current ratio | **2.4** | 1.1 |
| Gearing ratio | **0.3** | 1.3 |

For the year ended 31 December 2015, the Group's net cash used in operating activities was HK$12.6 million, which was primarily attributable to (i) HK$20.5 million payment for listing expenses and (ii) the increase in trade and bills receivables of HK$59.3 million mainly resulting from the increased sales in the last quarter in 2015.

For the year ended 31 December 2015, the Group's net cash used in investing activities was HK$44.8 million, which was mainly attributable to (i) the payment of HK$24.1 million for the acquisition of a land parcel to expand our manufacturing facilities in Nanning and (ii) an additional investment of HK$28.4 million mainly for expansion and improvement of the Group existing production facilities and establishment of new Nong's® (農本方®) Chinese medicine clinics in Hong Kong.

For the year ended 31 December 2015, the Group's net cash from financing activities was HK$267.8 million, which was mainly attributable to the HK$336.4 million proceeds raised from the Company's successful Initial Public Offering.

As at 31 December 2015, the Group's net current ratio increased to 2.4 from 1.1 as at 31 December 2014, and gearing ratio (calculated by dividing total interest-bearing bank borrowings by total equity) decreased to 0.3 from 1.3 as at 31 December 2014. The increase in net current ratio and decrease in gearing ratio was mainly attributable to (i) the successful Initial Public Offering of the Company which strengthened both cash and equity position of the Group and (ii) decrease in interest-bearing bank borrowings.

## EXCHANGE RISK

The Group conducts business primarily in Hong Kong and Mainland China with most of the 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 would consider if there is a need to hedge against significant foreign currency exposure when necessary.

## CAPITAL COMMITMENTS

| | **Year ended 31 December** | |
|---|---|---|
| | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| Lands and buildings | **48,582** | 69,608 |
| Machinery and equipment | **3,257** | 888 |
| Intangible assets | **709** | – |
| | **52,548** | 70,496 |

## PLEDGE OF ASSETS

The following assets were pledged as securities for interest-bearing bank borrowings:

| | **Carrying value Year ended 31 December** | |
|---|---|---|
| | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| Property, plant and equipment | **56,161** | 54,335 |
| Prepaid land lease payments | **2,704** | 2,909 |
| Available-for-sale investments | **10,849** | 10,531 |
| Inventories | **35,819** | 37,515 |
| Trade and bills receivables | **17,037** | 14,243 |
| Prepayments, deposits and other receivables | **689** | – |
| Pledged bank deposits | **6,000** | 20,633 |
| | **129,259** | 140,166 |

## CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2015.

## HUMAN RESOURCES

As at 31 December 2015, the Group had a total of 469 employees (31 December 2014: 422 employees). During the year ended 31 December 2015, total staff costs excluding directors' remuneration was HK$91.6 million (31 December 2014: HK$66.4 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 award may be granted to eligible employees based on the Group's and the 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.

## USE OF PROCEEDS

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 31 December 2015, the Group had utilised approximately HK$56.2 million of the net proceeds in accordance with the proposed applications set out in the Company's listing prospectus, as follows:

| Use | Approximate amount of net proceeds (in HK$ million) | Approximate percentage of net proceeds | Approximate amount utilized (in HK$ million) |
|---|---|---|---|
| To expand manufacturing facilities and enhance existing production lines | 86.5 | 30% | 8.3 |
| To establish new Nong's (農本方®) Chinese medicine clinics in Hong Kong and the PRC | 72.1 | 25% | 12.4 |
| To expand distribution network into new target cities in the PRC | 57.7 | 20% | 4.6 |
| To fund the development and launch of two new proprietary Chinese medicine products | 43.3 | 15% | 2.1 |
| Additional working capital of the Group | 28.8 | 10% | 28.8 |
| | 288.4 | 100% | 56.2 |

## 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. From the Listing Date and up to 31 December 2015 (the "**Review Period**"), save as disclosed below, the Company has been in compliance with the Code.

Pursuant to provision A.1.1 of the Code, the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the Review Period, the Company only held two Board meetings as the Review Period was not a full year. The Board intends to meet at least four times per year at approximately quarterly intervals in the future.

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 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 our 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; and reviewed the annual report and the audited consolidated results of the Group for the year ended 31 December 2015.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by Directors. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the required standard of dealing as set out in the Model Code from the Listing Date up to 31 December 2015.

## REVIEW OF FINANCIAL STATEMENTS AND ANNUAL RESULTS

The Groups's annual results of the Company for the year ended 31 December 2015 including the accounting principles and practices adopted have been reviewed by the Audit Committee of the Company. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2015 have been agreed with the Company's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year.

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

Save for the Capitalisation Issue which took place on the Listing Date, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities since the Listing Date up to the date of this announcement.

## DIVIDEND

The Board recommends the payment of a final dividend of HK8.89 cents per share of the Company for the year ended 31 December 2015 to the shareholders of the Company (the "**2015 Final Dividend**"). Subject to the approval by the shareholders of the Company at the forthcoming annual general meeting (the "**AGM**"), the 2015 Final Dividend will be paid on or about 27 June 2016 to shareholders whose names appear on the register of members of the Company on Thursday, 2 June 2016.

## ANNUAL GENERAL MEETING

The AGM will be held on Wednesday, 25 May 2016 and the notice of AGM will be published and despatched in the manner as required by the Listing rules in due course.

## CLOSURE OF REGISTER OF MEMBERS

In order to determine the shareholders eligibility to attend the AGM, the register of members of the Company will be closed from Monday, 23 May 2016 to Wednesday, 25 May 2016, both days inclusive, during which no transfer of shares will be registered. Only shareholders of the Company whose names appear on the register of members of the Company on 25 May 2016 or their proxies or duly authorised corporate representatives are entitled to attend the AGM. In order to qualify for attending and voting at the AGM, all properly completed transfer documents accompanied with relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 pm on 20 May 2016.

In order to determine the shareholders entitled to the 2015 Final Dividend, the register of members of the Company will be closed from Tuesday, 31 May 2016 to Thursday, 2 June 2016, both days inclusive, during which no transfer of shares will be registered. Only shareholders of the Company whose names appear on the register of members of the Company on Thursday, 2 June 2016 are entitled to the 2015 Final Dividend. In order to qualify for receiving the 2015 Final Dividend which is still subject to approval of the shareholders at the AGM, all properly completed transfer documents accompanied with relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 pm on 30 May 2016.

## PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.purapharm.com. The annual report of the Company for the year ended 31 December 2015 will also be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.purapharm.com and will be dispatched to the shareholders of the Company in due course.

## FORWARD LOOKING STATEMENTS

This announcement contains certain forward looking statements with respect to the financial condition, result of operations and business of the Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

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

Hong Kong, 23 March 2016

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