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PuraPharm®

PURAPHARM CORPORATION LIMITED
培力控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1498)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHTS

	Six months ended 30 June			
	2016	2015	**Change**	
	HK$'000	*HK$'000*	*HK$'000*	*%*
	(Unaudited)	(Unaudited)		
Revenue				
China CCMG	**87,106**	82,867	4,239	5.1
Hong Kong CCMG	**80,329**	72,217	8,112	11.2
Chinese healthcare products	**22,653**	26,179	(3,526)	(13.5)
Nong's® (農本方®) Chinese medicine clinics	**22,161**	5,639	16,522	293.0
	212,249	186,902	25,347	13.6
Gross profit	**141,608**	119,000	22,608	19.0
Profit/(loss) for the period attributable to owners of the Parent	**8,285**	(7,596)	15,881	N/A

The board (the "**Board**") of directors (the "**Directors**") of PuraPharm Corporation Limited (the "**Company**") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2016 (the "**Reporting Period**") as follows.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2016	2015
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
REVENUE	*5*	**212,249**	186,902
Cost of sales		**(70,641)**	(67,902)
Gross profit		**141,608**	119,000
Other income and gains	*5*	**6,943**	3,014
Selling and distribution expenses		**(65,496)**	(57,985)
Administrative expenses		**(66,271)**	(61,919)
Other expenses		**(1,804)**	(1,333)
Finance costs		**(4,594)**	(6,018)
PROFIT/(LOSS) BEFORE TAX	*6*	**10,386**	(5,241)
Income tax expense	*7*	**(2,101)**	(2,355)
PROFIT/(LOSS) FOR THE PERIOD		**8,285**	(7,596)
Attributable to owners of the parent		**8,285**	(7,596)
EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic and diluted (expressed in HK cents per share)	*9*	**3.7**	(4.5)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2016 HK$'000 (Unaudited)	31 December 2015 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**103,512**	93,713
Prepaid land lease payments		**24,379**	25,253
Intangible assets		**24,276**	8,939
Available-for-sale investments		**13,522**	13,348
Prepayments for non-current assets	*11*	**7,090**	8,035
Deferred tax assets		**7,976**	6,872
Total non-current assets		**180,755**	156,160
CURRENT ASSETS			
Inventories		**127,051**	107,987
Trade and bills receivables	*10*	**154,179**	161,018
Prepayments, deposits and other receivables	*11*	**47,223**	33,924
Pledged bank deposits		**11,000**	6,000
Cash and cash equivalents		**232,544**	232,243
Total current assets		**571,997**	541,172
CURRENT LIABILITIES			
Trade payables	*12*	**32,737**	38,091
Other payables and accruals		**32,933**	56,468
Interest-bearing bank borrowings	*13*	**237,363**	125,431
Tax payable		**1,008**	4,668
Government grants		**1,480**	1,294
Total current liabilities		**305,521**	225,952
NET CURRENT ASSETS		**266,476**	315,220
TOTAL ASSETS LESS CURRENT LIABILITIES		**447,231**	471,380

	Note	30 June 2016 HK$'000 (Unaudited)	31 December 2015 HK$'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		**447,231**	471,380
NON-CURRENT LIABILITIES			
Government grants		**1,027**	1,497
Deferred tax liabilities		**29**	173
Total non-current liabilities		**1,056**	1,670
Net assets		**446,175**	469,710
EQUITY			
Equity attributable to owners of the parent			
Share capital	*14*	**174,375**	174,375
Shares held for share award scheme		**(7,375)**	–
Reserves		**279,175**	295,335
Total equity		**446,175**	469,710

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION AND REORGANISATION

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

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

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

2. BASIS OF PREPARATION

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

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

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

Basis of consolidation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

4. OPERATING SEGMENT INFORMATION

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

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

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

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

Six months ended 30 June 2016 (Unaudited)

	China CCMG *HK$'000*	**Hong Kong CCMG** *HK$'000*	**Chinese healthcare products** *HK$'000*	**Clinics** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
Segment revenue:						
Revenue to external customers	**87,106**	**80,329**	**22,653**	**22,161**	**–**	**212,249**
Intersegment sales	**51,875**	**4,607**	**1,121**	**–**	**(57,603)**	**–**
	138,981	**84,936**	**23,774**	**22,161**	**(57,603)**	**212,249**
Segment results	**15,042**	**23,276**	**266**	**(4,925)**	**–**	**33,659**
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**

Six months ended 30 June 2015 (Unaudited)

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

5. REVENUE, OTHER INCOME AND GAINS

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

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

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

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

6. PROFIT/(LOSS) BEFORE TAX

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

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

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

** The foreign exchange loss and gain is included in "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. INCOME TAX EXPENSE

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

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

8. DIVIDEND

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

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

9. EARNINGS/(LOSSES) PER SHARE

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

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

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

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

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

	Note	**30 June 2016 (Unaudited)**	30 June 2015 (Unaudited)
Number of shares in issue as at 1 January	*14*	**225,000,000**	3,870,968
Effect of Subdivision of Shares	*14*	**–**	34,838,712
Effect of Capitalisation Issue	*14*	**–**	130,040,320
Effect of purchase of shares held for share award scheme		**(299,154)**	–
Weighted average number of ordinary shares		**224,700,846**	168,750,000

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

10. TRADE AND BILLS RECEIVABLES

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

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

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

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

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

12. TRADE PAYABLES

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

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

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

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

13. INTEREST-BEARING BANK BORROWINGS

	30 June 2016 (Unaudited)		
	Effective interest rate (%)	**Maturity**	***HK$'000***
Current			
Bank loans — secured	**2.70–5.66**	**On demand**	**103,373**
Bank loans — unsecured	**2.30–6.00**	**On demand**	**133,990**
Total			**237,363**

	31 December 2015 (Audited)		
	Effective interest rate (%)	Maturity	*HK$'000*
Current			
Bank loans — secured	2.87–7.80	On demand/2016	110,972
Bank loans — unsecured	2.66–6.00	On demand	14,459
Total			125,431

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

Interest-bearing bank borrowings are denominated in:

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

(a) HK Interpretation 5 "Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" requires that a loan which includes a clause that gives the lender the unconditional right to call the loan at any time ("**repayment on demand clause**") shall be classified in total by the borrower as current in the interim condensed consolidated statements of financial position. Interest-bearing bank loans of the Group include a repayment on demand clause under the relevant loan agreements, among which a balance of HK$26,619,000 (31 December 2015: HK$2,522,000) that are repayable after one year from the end of the Reporting Period have been classified as a current liability. For the purpose of the above analysis, such loans are included within current secured bank loans and analysed into bank loans repayable within one year.

(b) As at 30 June 2016, the Group's bank facilities including overdraft amounting to HK$438,575,000 (31 December 2015: HK$239,535,000) of which HK$237,363,000 (31 December 2015: HK$125,431,000) had been utilised.

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

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

14. SHARE CAPITAL

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

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

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

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

(b) On 8 July 2015 (the "**Listing Date**"), 56,250,000 new shares of US$0.1 (HK$0.775) each were issued at a price of HK$5.98 per share in connection with the Company's initial public offering on Main Board of the Stock Exchange (the "**Stock Exchange**"). The proceeds of HK$43,594,000 representing the par value, were credited to the Company's share capital. The remaining proceeds of HK$292,781,000 (before deduction of share issue expenses) were credited to the share premium account.

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

15. RELATED PARTY TRANSACTIONS

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

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

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

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

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

Notes:

(i) The rental expenses were paid to Golden Gain International Limited, a related company controlled by Mr. Abraham Chan and Ms. Viola Man, under prices mutually agreed by both parties. Such lease arrangement was terminated on 30 June 2015.

(ii) The software license fee and IT service fee were paid to HerbMiners, a related company controlled by Mr. Abraham Chan, under prices mutually agreed by both parties. The Directors consider that the service charges were in line with those offered by the supplier to its other customers. Since the Group acquired the software license from Herbminers, no further software license fee and IT service fee was paid to HerbMiners subsequently.

(iii) The acquisition of intangible assets representing the titles, interests and rights of the two Chinese medicines management software developed by HerbMiners. The consideration for the acquisition was determined after arm's length negotiation with reference to the appraised value determined by an independent third party valuer.

(iv) The purchase of raw materials was made from Gold Sparkle (Guizhou) DZ Plantation Co., Ltd, a related company controlled by Mr. Abraham Chan, under prices mutually agreed by both parties. The Directors consider that the purchases of raw materials were made according to the prices and conditions similar to those offered to the other suppliers of the Group.

(v) The professional service fees were paid to the related companies, over which Mr. Chan Kin Man, Eddie, our non-executive director, has significant influence, under a price mutually agreed by both parties.

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

(c) Outstanding balances with related parties:

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

To fuel future growth, the Group continues to strengthen its leading position in the Concentrated Chinese Medicine Granules ("**CCMG**") product market in Hong Kong and significantly expand its presence in Mainland China. In view of the huge demand for convenient access to CCMG by patients and leveraging the success of the Group's Nong's® (農本方®) clinic business model in Hong Kong, as at the date of this announcement, the Group operated 40 Nong's® (農本方®) clinics in Hong Kong comparing to 14 Nong's® (農本方®) clinics as at 30 June 2015. The number of clinics operated by the Group substantially increased which is a testament to the Group's extreme confidence in this business. The Group is also in the process of establishing its Nong's® (農本方®) clinics in Mainland China and overseas market in selected regions. The Group recently obtained the Approval for the Establishment of Medical Institution from the Guangxi Zhuang Autonomous Region Health and Family Planning Commission (廣西壯族自治區衞生和計劃生育委員會), to set up its first Nong's (農本方®) clinic in Nanning. The first Nong's (農本方®) clinic in Canada is expected to start operation in third quarter of 2016.

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

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

FINANCIAL REVIEW

Sales Performance

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

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

China CCMG

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

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

HK CCMG

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

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

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

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

Chinese healthcare products

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

Profitability

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

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

Other income and gains

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

Selling and distribution expenses

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

Administrative expenses

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

Other expenses

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

Finance costs

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

Income tax expense

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

CAPITAL EXPENDITURE

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

LIQUIDITY AND FINANCIAL RESOURCES

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

GEARING RATIO

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

EXCHANGE RISK

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

HUMAN RESOURCES

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

CAPITAL COMMITMENTS

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

CONTINGENT LIABILITIES

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

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

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

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

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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**"). Throughout the six months ended 30 June 2016, save as disclosed below, the Company has complied with all applicable code provisions set out in the Code.

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

AUDIT COMMITTEE

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

REVIEW OF THE INTERIM RESULTS

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

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

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

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

Save for the 2,240,000 shares of the Company purchased through the Stock Exchange by the share award scheme trust of the Company, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities throughout the six months ended 30 June 2016.

INTERIM DIVIDEND

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

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2016 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.

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

Hong Kong, 22 August 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. Chan Lung Sang 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. Chan Kin Keung, Eugene, Mr. Ho Kwok Wah, George, Dr. Leung Lim Kin, Simon and Prof. Tsui Lap Chee.