

2021 INTERIM REPORT 中期報告

PuraPharm Corporation Limited
培力農本方有限公司
Stock code 股票代號: 1498



PuraPharm®



Contents

PuraPharm Corporation Limited 2021 Interim Report

2021 INTERIM REPORT

中期報告

2	Corporate Information
4	Chairman's Statement
6	Management Discussion and Analysis
16	Disclosure of Interests
18	Corporate Governance and Other Information
23	Independent Review Report
24	Interim Condensed Consolidated Statement of Profit or Loss and Comprehensive Income
25	Interim Condensed Consolidated Statement of Financial Position
27	Interim Condensed Consolidated Statement of Changes in Equity
29	Interim Condensed Consolidated Statement of Cash Flows
31	Notes to Interim Condensed Consolidated Financial Statements

Corporate Information

EXECUTIVE DIRECTORS

Mr. Chan Yu Ling, Abraham (*Chairman*)
Ms. Man Yee Wai, Viola
Dr. Norimoto Hisayoshi

NON-EXECUTIVE DIRECTORS

Mr. Chow, Stanley
Mr. Cheong Shin Keong (re-designated from executive Director to non-executive Director on 28 June 2021)

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

Mr. Ho Kwok Wah, George (*Chairman*)
Dr. Leung Lim Kin, Simon
Prof. Tsui Lap Chee

NOMINATION COMMITTEE

Mr. Chan Yu Ling, Abraham (*Chairman*)
Prof. Tsui Lap Chee
Mr. Ho Kwok Wah, George

REMUNERATION COMMITTEE

Dr. Leung Lim Kin, Simon (*Chairman*)
Mr. Chow, Stanley
Prof. Tsui Lap Chee

SCIENTIFIC ADVISORY COMMITTEE

Prof. Bruce Robinson (*Chairman*)
Prof. Rudolf Bauer
Prof. Piu Chan
Prof. Liang Song Ming

COMPANY SECRETARY

Ms. Chan Charmayne

AUTHORIZED REPRESENTATIVES

Mr. Chan Yu Ling, Abraham
Ms. Chan Charmayne

INVESTOR RELATIONS

Ms. Lucine Zhu

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISORS

ONC Lawyers (As to Hong Kong law)
Appleby (As to Cayman Islands law)

REGISTERED OFFICE

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

HONG KONG SHARE REGISTRAR

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

CAYMAN ISLANDS SHARE REGISTRAR

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman, KY1-1108
Cayman Islands

SHARE INFORMATION

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

COMPANY'S WEBSITE

www.purapharm.com

Chairman's Statement

DEAR SHAREHOLDERS,

After a challenging 2020, the global economic environment and business models have been greatly changed due to the economic pattern being dramatically affected by the unpredictable outbreaks of the COVID-19 pandemic, stringent lockdowns, trade blocks and travel restraints. We believe that the era powered by information technology and AI technology has come much earlier in a way that everyone now starts to feel the urge to learn more and change fast.

Since the beginning of 2021, Mainland China has formulated a series of policies to boost domestic economic activities and to maintain the balance between domestic supply and demand across all industries. These policies will support China's economics internally and are intended to make its economy more resilient from international factors. Hong Kong as well has been following closely in China's direction and is actively seeking independent economic boosting schemes throughout the year. Due to numerous measures by government, the economic environment and consuming sentiment in Hong Kong has been greatly improved.



The Group has adapted to the quickly changing business environment and made swift and effective management plans in multiple aspects. We have experienced an improved business performance by continuous cost control, optimized operation procedures, digitally powered sales and marketing plans and refined human resource management.

Despite the challenging economic situation, the Group's revenue during the six months ended 30 June 2021 ("2021 Interim Period") was HK\$302.8 million, representing an increase of HK\$22.3 million or 8.0% as compared to the corresponding period of last year.

The Group reported a net profit of HK\$12.0 million for the 2021 Interim Period as compared with the net profit of HK\$11.4 million in the corresponding period of last year. Such net profit was mainly driven by the rebound of China CCMG sales and partly attributable to the Government subsidies received in the PRC. Excluding such non-recurring Government subsidies for both 2021 and 2020 Interim Periods, the Group would record an operating profit for the 2021 Interim Period, which would be a turnaround from the operating loss that would be recorded for 2020 Interim Period.

Management Discussion and Analysis

FINANCIAL HIGHLIGHT

	Six months ended 30 June					
	2021		2020		Change	
	Revenue HK\$'000	% of total	Revenue HK\$'000	% of total	HK\$'000	%
China CCMG	156,880	51.8%	121,498	43.3%	35,382	29.1
Hong Kong CCMG	72,697	24.0%	68,311	24.4%	4,386	6.4
Chinese healthcare products	39,358	13.0%	45,097	16.1%	(5,739)	(12.7)
Nong's® (農本方®) Chinese medicine clinics	23,897	7.9%	23,989	8.6%	(92)	(0.4)
Plantation	9,925	3.3%	21,537	7.6%	(11,612)	(53.9)
Total	302,757	100.0%	280,432	100.0%	22,325	8.0
Profit for the period	11,974		11,437		537	4.7

The Group's revenue for the 2021 Interim Period was HK\$302.8 million, representing an increase of HK\$22.3 million or 8.0%, compared to HK\$280.4 million for the corresponding period in last year. The sales increase was attributable to the resumption of consumer activity as the COVID-19 pandemic in the People's Republic of China (the "PRC") and Hong Kong have largely been under control since early 2021, which drove the rebound of consumers' sentiment and the demand for Chinese medicine services during the 2021 Interim Period.

The Group recorded a net profit for the 2021 Interim Period of HK\$12.0 million as compared with the net profit of HK\$11.4 million during the corresponding period in last year. Such net profit is mainly attributable to the rebound of China CCMG sales and partly attributable to the Government subsidies received in the PRC by the Group in the 2021 Interim Period. If excluding such non-recurring Government subsidies for both 2021 and 2020 Interim Periods, the Group would record an operating profit of approximately HK\$5.5 million for the 2021 Interim Period, which turned the operating loss that would be recorded for 2020 Interim Period to operating profit for the 2021 Interim Period.

China CCMG

During the 2021 Interim Period, the sales of CCMG in China was HK\$156.9 million, representing an increase of HK\$35.4 million or 29.1% compared to HK\$121.5 million for the corresponding period in last year. Due to the control of the COVID-19 pandemic generally since the beginning of 2021, the PRC Government has gradually relaxed the measures to prevent and control the COVID-19, including travel restrictions, regional lockdowns, and temporary business shutdowns of certain Chinese medicine clinics and hospitals, which drove consumer activity back to normal level. As a result, the China CCMG sales business rebounded, especially in first quarter of 2021.

Hong Kong CCMG

The Group continued to maintain its leading market position in Hong Kong and sell its CCMG products directly to customers comprising hospitals, Chinese medicine clinics, non-profit organisations and private Chinese medicine practitioners. During the 2021 Interim Period, the direct sales of CCMG products in Hong Kong was HK\$72.7 million, representing an increase of HK\$4.4 million or 6.4% compared to HK\$68.3 million for the corresponding period in last year. In the 2021 Interim Period, the COVID-19 pandemic was gradually under control, which revived the overall business environment in Hong Kong and restored the consumers' sentiment and the demand for Chinese medicine services.

During the 2021 Interim Period, the Group still remained as a leading CCMG supplier to the major non-profit organisations in Hong Kong, and continued to expand its customer base in private Chinese medicine practitioners sector.

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

During the 2021 Interim Period, 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\$23.9 million in aggregate, representing a minimal decrease of HK\$0.1 million or 0.4% compared to HK\$24.0 million for the corresponding period in last year. The decrease in revenue was mainly attributable to the downsizing of the clinic network in Hong Kong by closing a number of loss-making clinics. The number of clinics in operation in Hong Kong decreased from 30 clinics as at 31 December 2020 to 25 clinics as at 30 June 2021.

Although the revenue of Nong's clinics segment recorded a slight decrease of less than 1%, the loss attributed by Nong's clinics segment has substantially decreased during the 2021 Interim Period as more loss-making clinics were closed and the relevant assets of those clinics were fully impaired for the year ended 31 December 2020.

The Group will continue to improve the performance of the existing clinic portfolio and proactively negotiate with the landlords on rental reduction in order to achieve clinic profitability as early as possible.

Chinese healthcare products

	Six months ended 30 June					
	2021		2020		Change	
	Revenue HK\$'000	% of total	Revenue HK\$'000	% of total	HK\$'000	%
U.S.	15,606	39.7%	20,745	46.0%	(5,139)	(24.8)
Japan	4,754	12.1%	5,739	12.7%	(985)	(17.2)
Hong Kong	18,998	48.2%	18,613	41.3%	385	2.1
	39,358	100.0%	45,097	100.0%	(5,739)	(12.7)

During the 2021 Interim Period, revenue from sales of Chinese healthcare products in the U.S., Japan and Hong Kong markets was HK\$39.4 million in aggregate, representing a decrease of HK\$5.7 million or 12.7% as compared to HK\$45.1 million in the corresponding period in last year.

Among the Group's Chinese healthcare products segment, the sales in overseas market showed a decrease due to the decrease in consumer demand in those countries as a result of the outbreak of the COVID-19 pandemic. The mild increase in sales in Hong Kong market is due to slow recovery in the retail market and sluggish consumption sentiment.

With the better control of the COVID-19 pandemic in the 2021 Interim Period, the Group believes that consumer health awareness will be increased and the growth in demand for healthcare products will render further opportunities for the Group's Chinese healthcare products segment. The Group will continue to proactively develop new and innovative healthcare products to enrich the products portfolio, devote more focus to market the Group's healthcare products through the online platform in order to counteract the weakened retail market.

Plantation

For the 2021 Interim Period, the upstream plantation segment contributed HK\$9.9 million to the Group's overall revenue, representing a decrease from HK\$21.5 million recorded in the corresponding period in last year by HK\$11.6 million or 53.9%. The revenue from the plantation segment was mainly derived from the plantation and trading of raw Chinese herbs. The decrease in revenue from the plantation segment was mainly attributable the part of plantation business went through restructuring in the management team during the 2021 Interim Period, the business and operation dropped to a low level temporarily.

Profitability

	Six months ended 30 June		Change
	2021 HK\$'000	2020 HK\$'000	
Revenue	302,757	280,432	8.0%
Cost of sales	(106,353)	(115,598)	(8.0%)
Gross profit	196,404	164,834	19.2%
Gross profit margin	64.9%	58.8%	

The Group's gross profit margin for the 2021 Interim Period was 64.9%, representing an increase of 6.1% compared to 58.8% in the corresponding period in last year. The increase was mainly due to the combined effect of (i) the proportion of revenue from CCMG products was higher, which earned a relatively high gross profit margin among the Group's different segments, and (ii) the proportion of sales in the PRC CCMG products segment directly to the hospitals was higher, with higher gross profit margin than sales to distributors.

Other income and gains

The Group's other income and gains mainly comprised of government grants, fair value gain on biological assets, gain from sale of equipment and accessories, financial assets at fair value through profit or loss and interest income. For the 2021 Interim Period, the Group's other income and gain was HK\$14.8 million, representing a decrease of HK\$30.7 million or 67.5% compared to HK\$45.5 million for the corresponding period in last year.

The decrease was mainly attributable to the significant decrease in non-recurring government grants by HK\$34.4 million for the 2021 Interim Period compared to the corresponding period in last year. The government grant income in the 2020 Interim Period mainly consisted of the amounts received from relevant PRC authorities to reward the Group's industrial investment in Guizhou province, tax rebates subsidy and subsidies from Hong Kong Government to support enterprise struck by the COVID-19 pandemic. Such government grants received were lower in the 2021 Interim Period.

Furthermore, the Group recorded a net fair value gain on biological assets of HK\$4.4 million for the 2021 Interim Period, whereas the fair value gain on biological asset was HK\$2.6 million in the corresponding period in last year.

Selling and distribution expenses

The Group's selling and distribution expenses were 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 2021 Interim Period, the Group's selling and distribution expenses was HK\$92.4 million, representing a decrease of HK\$4.4 million or 4.5% compared to HK\$96.8 million for the corresponding period in last year. The decrease was mainly attributable to (i) control in the PRC marketing expenses was effective and (ii) the restructuring of the sales channels of OTC products in Hong Kong which drove down the marketing expenses.

For the 2021 Interim Period, selling and distribution expenses as a percentage to revenue decreased from 34.5% in last corresponding period to 30.5% for the 2021 Interim Period. With the sales rebound in the 2021 Interim Period, the Group has further driven a lower marketing expenses to maintain the brand competitiveness and the market awareness of the Group's products.

Administrative expenses

	Six months ended 30 June			
	2021 HK\$'000	2020 HK\$'000	Change HK\$'000	%
Clinics operating expenses	18,000	18,714	(714)	(3.8)
Research and development costs	11,926	8,044	3,882	48.3
General administrative expenses	52,360	48,919	3,441	7.0
Total administrative expenses	82,286	75,677	6,609	8.7

The Group's administrative expenses included both operating expenses for clinics and general administrative expenses. The expenses were 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 2021 Interim Period, the Group's operating expenses for clinics was HK\$18.0 million, representing a decrease of HK\$0.7 million or 3.8% compared to HK\$18.7 million for the corresponding period in last year. The decrease was mainly attributable to the downsizing of clinic network in Hong Kong. The number of clinics in operation in Hong Kong decreased from 30 clinics as at 31 December 2020 to 25 clinics as at 30 June 2021.

The research and development costs for the 2021 Interim Period increased by HK\$3.9 million or 48.3%, mainly due to the increase in number of research and development staff during the 2021 Interim Period.

The Group's general administrative expenses for the 2021 Interim Period increased by HK\$3.4 million or 7.0%, mainly due to the increase depreciation in fixed assets after the completion of a newly built production plant and increase in Directors' remuneration.

Other expenses

The Group's other expenses mainly comprised of loss on disposal of property, plant and equipment, net foreign exchange loss and voluntary charity donation. For the 2021 Interim Period, the Group's other expenses was HK\$2.3 million, representing a decrease of HK\$4.2 million or 64.6% compared to HK\$6.5 million for the corresponding period in last year. The decrease was primarily attributable to the decrease in voluntary charity donation.

Finance costs

For the 2021 Interim Period, the Group's finance costs amounted to HK\$13.5 million, representing an increase of HK\$2.3 million or 20.8% as compared to HK\$11.2 million for the corresponding period in last year. The increase was mainly due to the increase in average outstanding balance in bank and other borrowings during the 2021 Interim Period.

Income tax expense

During the 2021 Interim Period, the Group's income tax expenses increased from HK\$5.0 million in the corresponding period in last year to HK\$5.4 million for the 2021 Interim Period. The income tax expense was arose from the profitable subsidiaries and the increase was mainly due to the increase in profit of the Group during the 2021 Interim Period.

CAPITAL EXPENDITURES

The Group's capital expenditures primarily comprised of payments and deposits for purchase of property, plant and equipment, land use rights and intangible assets. During the 2021 Interim Period, the total capital expenditure was HK\$33.9 million (six months ended 30 June 2020: HK\$23.4 million). The capital expenditures during the 2021 Interim Period was mainly incurred for construction of new warehouses in Nanning to replace the existing outsourcing warehouses for the Group's inventories storage in Nanning.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, the Group had net current assets of HK\$6.5 million (31 December 2020: net current assets of HK\$15.8 million), which included cash and cash equivalent of HK\$73.6 million (31 December 2020: HK\$91.4 million) and interest-bearing bank and other borrowings amounting to HK\$475.2 million (31 December 2020: HK\$458.3 million). As at 30 June 2021, the Group's unused bank facilities including overdraft amounted to HK\$49.2 million (31 December 2020: HK\$61.5 million).

TREASURY POLICY AND RISK MANAGEMENT

The Directors will continue to follow a prudent policy in managing the Group's cash and maintaining a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities. As at 30 June 2021, the Group's credit risk is primarily attributable to trade receivables, deposits, bank deposits with original maturity over three months and bank balances and cash. At 30 June 2020 and 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

GEARING RATIO

As at 30 June 2021, the gearing ratio of the Group, which is calculated by dividing total interest-bearing bank and other borrowings by total equity, was 0.9 (31 December 2020: 0.9). The gearing ratio remaining stable during the 2021 Interim Period was mainly as a result of the increase in interest-bearing bank and other borrowings which is offset by the increase in the equity base of the Company after the retained profits being recognized.

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 or instruments to hedge against the fluctuations in exchange rate between Renminbi and Hong Kong dollars. However, the Group regularly monitors foreign exchange exposure and assesses if there is a need to hedge against significant foreign currency exposure from time to time.

HUMAN RESOURCES

As at 30 June 2021, the Group had a total of 702 employees (31 December 2020: 711 employees). During the 2021 Interim Period, total staff costs excluding Directors' remuneration was HK\$51.5 million (six months ended 30 June 2020: HK\$49.0 million). The Group offers competitive remuneration packages 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 Groups and individuals performance. The Group also allocated resources for continuing education and training for management and employees to improve their skills and knowledge.

PLEDGE OF ASSETS

The following assets were pledged as securities for interest-bearing bank and other borrowings and bills payable:

	Carrying value	
	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Property, plant and equipment	131,146	142,575
Right-of-use assets	43,217	33,588
Financial assets at fair value through profit or loss	18,258	18,258
Inventories	42,105	41,717
Trade and bills receivables	20,049	34,124
Pledged bank deposits	27,060	35,056
	281,835	305,318

CAPITAL COMMITMENT

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Contracted, but not provided for:		
Buildings	19,042	22,375
Plant and machinery	347	1,212
	19,389	23,587

MATERIAL ACQUISITIONS, DISPOSALS AND MATERIAL INVESTMENT

There were no material acquisitions or disposals of subsidiaries, associates and joint-ventures, and no material investment was held by the Group during the 2021 Interim Period.

CONTINGENT LIABILITIES

There were no material contingent liabilities of the Group as at 30 June 2021.

MATERIAL LITIGATION

For the year ended 31 December 2019, an action was brought in the PRC against a subsidiary of the Group by a party alleging that the subsidiary of the Group breached and repudiated four contracts regarding purchase of Chinese raw herbs (including seedling products). In mid-January 2021, the Company received the judgment made by the PRC Court against the subsidiary of the Group and the Group has therefore accrued additional HK\$11.7 million provision for such litigation cases according to the first-instance judgment of the PRC court for the year ended 31 December 2020. Final settlement was agreed in June 2021 between the Company and the plaintiff during the 2021 Interim Period by the Group paying RMB16 million (equivalent to approximately HK\$19.1 million) to the plaintiff for full and final settlement of the litigation case. As a result of the settlement of the litigation case, the Group recorded a reversal of over-provision of litigation of HK\$1.6 million during the 2021 Interim Period. Other than the litigation case disclosed above, the Group was not involved in other material litigation during the 2021 Interim Period.

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 (the "Net Proceeds"). As at 30 June 2021, the Group had utilised approximately HK\$278.8 million of the net proceeds in accordance with the proposed applications set out in the Company's listing prospectus details of which are set out, as follows:

Use	Approximate amount of net proceeds (in HK\$ million)	Approximate percentage of net proceeds	Approximate amount utilized (in HK\$ million)	Approximate amount utilized during the Reporting Period (in HK\$ million)	Approximate amount unutilized (in HK\$ million)	Expected timeline intended use
To expand manufacturing facilities and enhance existing production lines	86.5	30.00%	86.5	—	—	—
To establish new Nong's® Chinese medicine clinics in Hong Kong and the PRC	72.1	25.00%	72.1	—	—	—
To expand distribution network into new target cities in the PRC	57.7	20.00%	57.7	—	—	—
To fund the development and launch of two new proprietary Chinese medicine products	43.3	15.00%	32.6	1.1	9.6	By December 2021
Additional working capital of the Group	28.8	10.00%	28.8	—	—	—
	288.4	100.00%	277.7	1.1	9.6	

The unutilised net proceeds of HK\$9.6 million have been placed with licensed banks in Hong Kong and will be applied in the manner consistent with the proposed allocations as set out in the Company's listing prospectus. There was a delay in application in the use of Net Proceeds as to funding the development and launch of two new proprietary Chinese medicine products. The reason for the delay is due to the fact that research and development of new products were still in progress and is expected to take a longer time than previous estimation.

Among the remaining unutilised portion of the net proceeds, HK\$7.2 million is allocated to the development of pharmaceutical products for treating irritable bowel syndrome, known as 仁術腸樂顆粒. On 8 October 2020, the Group entered into an Asset Sale Agreement with BAGI Research Limited, a company indirectly and wholly-owned by Mr. Chan Yu Ling, Abraham, an executive director and controlling shareholder of the Company, to sell the relevant assets of such product development (the "Asset Disposal"). Upon completion of the Asset Disposal, the Group will re-allocate HK\$7.2 million of such unused portion of the proceeds, as working capital of the Group's other research and development projects. On 25 March 2021, the Company announced that the long stop date of the Asset Disposal would be extended to 30 September 2021 and as at the date of this report, the Asset Disposal is yet to be completed. For further information in relation to the Asset Disposal, please refer to the announcements of the Company dated 8 October 2020 and 25 March 2021.

NET PROCEEDS FROM THE RIGHTS ISSUE

On 3 January 2020, the Company announced a proposed Rights Issue to raise about HK\$105 million before expenses (the "Rights Issue") on the basis of one right share for two existing shares held on the record date. The net proceeds raised from the Rights Issue after deducting the relevant expenses, was approximately HK\$98 million. As at 31 December 2020, the net proceeds from the Rights Issue have been fully utilised according to the proposed application. For further information in relation to the Rights Issue, please refer to the announcement of the Company dated 3 January 2020, prospectus of the Company dated 7 February 2020, and the announcement of the Company dated 28 February 2020.

Disclosure of Interests

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

As at 30 June 2021, the board of directors of the Company ("Directors") and chief executives of the Company had the following interests in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of Director	Capacity/ Nature of Interest	Number of Shares held or interested ⁽¹⁾	Percentage of the Company's issued share capital
Mr. Chan Yu Ling, Abraham ("Mr. Abraham Chan")	Interest of controlled corporation	178,854,830 (L) ⁽²⁾⁽³⁾⁽⁴⁾	45.29%
	Beneficial owner	35,843,311 (L)	9.08%
	Interest of spouse	4,347,500 (L) ⁽⁵⁾	1.10%
	Beneficiary of a trust	30,000 (L) ⁽⁸⁾	0.008%
Ms. Man Yee Wai, Viola	Interest of controlled corporation	77,349,750 (L) ⁽⁶⁾	19.59%
	Beneficial owner	4,332,500 (L)	1.10%
	Interest of spouse	137,378,391 (L) ⁽⁷⁾	34.79%
Dr. Norimoto Hisayoshi	Beneficiary of a trust	15,000 (L) ⁽⁸⁾	0.004%
	Beneficial owner	370,000 (L)	0.09%
Mr. Cheong Shin Keong	Beneficial owner	4,416,665 (L)	1.05%
Mr. Ho Kwok Wah, George	Beneficial owner	18,000 (L)	0.005%
	Beneficiary of a trust	2,000 (L) ⁽⁸⁾	0.001%
Dr. Leung Lim Kin, Simon	Beneficial owner	18,000 (L)	0.005%
	Beneficiary of a trust	2,000 (L) ⁽⁸⁾	0.001%
Prof. Tsui Lap Chee	Beneficial owner	18,000 (L)	0.005%
	Beneficiary of a trust	2,000 (L) ⁽⁸⁾	0.001%

Notes:

- The letter "L" denotes the person's long position in such securities.
- Mr. Abraham Chan beneficially owns 50% of the issued share capital of Joint Partners Investments Limited ("Joint Partners"), which in turn wholly owns the entire issued capital of PuraPharm Corporation Limited ("PuraPharm Corp"), a limited liability company incorporated in the British Virgin Islands on 5 May 1998. PuraPharm Corp owns 77,349,750 Shares. By virtue of the SFO, Mr. Abraham Chan is deemed to be interested in the Shares held by PuraPharm Corp.
- Mr. Abraham Chan beneficially owns the entire issued share capital of Fullgold Development Limited ("Fullgold Development"), which in turn owns 81,929,000 Shares. By virtue of the SFO, Mr. Abraham Chan is deemed to be interested in the Shares held by Fullgold Development.
- Mr. Abraham Chan beneficially owns the entire issued share capital of Gold Sparkle Limited ("Gold Sparkle"), which in turn owns 19,576,080 Shares. By virtue of the SFO, Mr. Abraham Chan is deemed to be interested in the Shares held by Gold Sparkle.
- Mr. Abraham Chan is the spouse of Ms. Viola Man. By virtue of the SFO, Mr. Abraham Chan is deemed to be interested in the Shares held by Ms. Viola Man.

6. Ms. Viola Man beneficially owns 50% of the issued share capital of Joint Partners, which in turn wholly owns the entire issued capital of PuraPharm Corp. PuraPharm Corp owns 77,349,750 Shares. By virtue of the SFO, Ms. Viola Man is deemed to be interested in the Shares held by PuraPharm Corp.
7. Ms. Viola Man is the spouse of Mr. Abraham Chan. By virtue of the SFO, Ms. Viola Man is deemed to be interested in the Shares held by Mr. Abraham Chan.
8. These shares represent shares granted to such directors pursuant to the Award Scheme, which will be held on trust by the Share Award Scheme Trust until the shares are vested. For further detail, please refer to the paragraph headed "Share Award Scheme" below.

Save as disclosed above, as at 30 June 2021, none of the Directors, chief executives of the Company and/or their respective associates had any personal, family, corporate or other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2021, so far as was known to the Directors, the following entity (not being the Director or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company, its group members and/or associated corporations which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of entity	Nature of Interest	Number of Shares held or interested ⁽¹⁾	Percentage of the Company's issued share capital
PuraPharm Corp	Beneficial owner	77,349,750 (L)	19.59%
Joint Partners	Interest of a controlled corporation	77,349,750 (L) ⁽²⁾	19.59%
Fullgold Development	Beneficial owner	81,929,000 (L)	20.75%

Notes:

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

Save as disclosed above, as at 30 June 2021, no person, other than a Director or chief executive of the Company, had registered an interest or short position in the Shares, underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

Corporate Governance and Other Information

SHARE OPTION SCHEME

On 12 June 2015, the Share Option Scheme was adopted by the then Shareholders and will remain in force for 10 years after its adoption. The purpose of the Share Option Scheme is to provide incentives and rewards to eligible participants who would contribute to the success of the Group's operations. Under the terms of the Share Option Scheme, the Board may, at its discretion, grant share options to, among others, any full-time employee and any Director of the Company or its subsidiaries, including any executive, non-executive or independent non-executive directors.

The exercise price for shares under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (ii) the average of the closing prices of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share on the date of grant. Any share options granted under the Share Option Scheme shall lapse in any event not later than ten years from the date of grant. A nominal value of HK\$1.00 is payable on acceptance of each grant of share options.

The Share Option Mandate Limit was refreshed by the shareholders in the annual general meeting held on 28 May 2021, which allows the Company to grant further options under the Share Option Mandate for subscription of up to a total number of 39,489,294 shares, representing 10% of the shares in issue as at the date of passing the resolution.

On 9 May 2019, a total of 6,376,000 options were granted to four Directors and certain employees of the Company, entitling them to subscribe for a total of 6,376,000 shares at the exercise price of HK\$2.4 per share. The closing price of the share immediately before the date of grant is HK\$2.267. As a result of the completion of Rights Issue on 2 March 2020, the exercise price of the Share Options and the number of Shares which may fall to be issued upon exercise of the subscription rights attaching to the outstanding Share Options granted on 9 May 2019 were adjusted. The adjusted exercise price of the outstanding Share Options granted on 9 May 2019 was HK\$2.3 per share.

On 24 July 2020, a total of 16,124,000 options were granted to five Directors and certain employees of the Company, entitling them to subscribe for a total of 16,124,000 shares at the exercise price of HK\$0.8 per share, conditional upon the grantees accepting the grant. The closing price of the share immediately before the date of grant is HK\$0.69. Among the options resolved to grant by the Board, 4 employees did not accept the grant and out of the 16,124,000 options, resulting 800,000 options not being granted eventually. As a result, only 15,324,000 options were granted for the year ended 31 December 2020.

During the 2021 Interim Period, no options were granted by the Board.

Details of the option granted under the Share Option Scheme is as follows:

Grantees	Name of Director	Grant date	Exercise price	Vesting date	As at 1 January 2021	Number of options granted during the Reporting Period	Exercised during the Reporting Period	Adjustment/ canceled/ lapsed during the Reporting Period	As at 30 June 2021
Directors	Mr. Chan Yu Ling, Abraham	9 May 2019	HK\$2.3	10 May 2020	1,085,228	—	—	—	1,085,228
				10 May 2021	1,085,228	—	—	—	1,085,228
		24 Jul 2020	HK\$0.8	23 Jul 2021	1,740,000	—	—	—	1,740,000
				23 Jul 2022	1,740,000	—	—	—	1,740,000
	Ms. Man Yee Wai, Viola	9 May 2019	HK\$2.3	10 May 2020	354,275	—	—	—	354,275
				10 May 2021	354,275	—	—	—	354,275
		24 Jul 2020	HK\$0.8	23 Jul 2021	1,740,000	—	—	—	1,740,000
				23 Jul 2022	1,740,000	—	—	—	1,740,000
	Mr. Chan Kin Man, Eddie (retired on 28 May 2021)	9 May 2019	HK\$2.3	10 May 2020	1,085,228	—	—	—	1,085,228
				10 May 2021	1,085,228	—	—	—	1,085,228
		24 Jul 2020	HK\$0.8	23 Jul 2021	871,000	—	—	—	871,000
				23 Jul 2022	871,000	—	—	—	871,000
Dr. Tsoi Kam Bui, Alvin (retired on 28 May 2021)	9 May 2019	HK\$2.3	10 May 2020	354,275	—	—	—	354,275	
			10 May 2021	354,275	—	—	—	354,275	
	24 Jul 2020	HK\$0.8	23 Jul 2021	871,000	—	—	—	871,000	
			23 Jul 2022	871,000	—	—	—	871,000	
Mr. Cheong Shin Keong	24 Jul 2020	HK\$0.8	23 Jul 2021	2,000,000	—	—	—	2,000,000	
			23 Jul 2022	1,480,000	—	—	—	1,480,000	
Sub-total for Directors					19,682,012	—	—	—	19,682,012
Employees	9 May 2019	HK\$2.3	10 May 2020	178,922	—	—	(1,785)	177,137	
			10 May 2021	178,922	—	—	(1,785)	177,137	
			10 May 2022	178,922	—	—	(1,784)	177,138	
			10 May 2023	178,922	—	—	(1,784)	177,138	
					715,688	—	—	(7,138)	708,550
	24 July 2020	HK\$0.8	23 July 2021	466,667	—	—	(66,667)	400,000	
			23 July 2022	466,667	—	—	(66,667)	400,000	
			23 July 2023	466,666	—	—	(66,666)	400,000	
					1,400,000	—	—	(200,000)	1,200,000
	Sub-total for Employees				2,115,688	—	—	(207,138)	1,908,550
Total				21,797,700	—	—	(207,138)	21,590,562	

SHARE AWARD SCHEME

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

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

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

The Board has further resolved in February 2016 that a sum of HK\$10,000,000 be provided for the purchase of the Shares to be awarded to the Eligible Award Participants to be selected by the Board. During the 2021 Interim Period, no share was purchased by the Share Award Scheme Trust.

As at 30 June 2021, the Share Award Scheme Trust held 959,335 shares (the "Award Shares") (31 December 2020: 1,916,000 Award Shares). No Award Share was granted during the 2021 Interim Period, and a total of 956,665 Award Shares were vested to the Eligible Award Participants.

The Group recognized a net share award expense of HK\$169,000 during the 2021 Interim Period (six months ended 30 June 2020: HK\$354,000).

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 as its own corporate governance code. Throughout the 2021 Interim Period, 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 officer 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 three independent non-executive Directors, 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 Prof. Tsui Lap Chee. 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. The interim report of the Group for the 2021 Interim Period has also been reviewed and passed by the Audit Committee.

REVIEW OF THE INTERIM RESULTS BY AUDITOR

The unaudited interim condensed consolidated financial statements of the Group for the 2021 Interim Period 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 MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by Directors. Having made specific enquiries of all Directors, all Directors confirmed that, they have complied with the required standard of dealing as set out in the Model Code throughout the 2021 Interim Period.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities throughout the 2021 Interim Period.

IMPORTANT EVENTS SINCE THE END OF THE REPORTING PERIOD

There were no significant event affecting the Company nor any of its subsidiaries after the end of the 2021 Interim Period up to the date of this report which requires disclosure in this report.

INTERIM DIVIDEND

The Board resolved not to recommend any payment of interim dividend for the 2021 Interim Period.

Independent Review Report



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

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial statements of Purapharm Corporation Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on page 24 to 62, which comprises the interim condensed consolidated statement of financial position as at 30 June 2021 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months then ended (the "Reporting Period"), and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provision thereof and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young
Certified Public Accountants
Hong Kong
20 August 2021

Interim Condensed Consolidated Statement of Profit or Loss and Comprehensive Income

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
REVENUE	5	302,757	280,432
Cost of sales		(106,353)	(115,598)
Gross profit		196,404	164,834
Other income and gains	5	14,763	45,452
Selling and distribution expenses		(92,444)	(96,778)
Administrative expenses		(82,286)	(75,677)
Impairment of financial assets, net		(3,221)	(3,734)
Other expenses		(2,338)	(6,544)
Finance costs	7	(13,492)	(11,165)
PROFIT BEFORE TAX	6	17,386	16,388
Income tax expense	8	(5,412)	(4,951)
PROFIT FOR THE PERIOD		11,974	11,437
Attributable to owners of the parent		11,974	11,437
EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE PARENT (expressed in HK cents per share)			
Basic			
— For profit for the period	10	3.04	3.28
Diluted			
— For profit for the period	10	3.04	3.28
PROFIT FOR THE PERIOD		11,974	11,437
OTHER COMPREHENSIVE INCOME/(LOSS)			
Exchange differences on translation of foreign operations		839	(6,849)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		839	(6,849)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		12,813	4,588
Attributable to owners of the parent		12,813	4,588

Interim Condensed Consolidated Statement of Financial Position

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	333,450	322,839
Investment properties		7,639	7,568
Right-of-use assets		126,130	136,513
Goodwill	12	88,339	88,339
Other intangible assets		41,972	42,920
Financial assets at fair value through profit or loss	13	18,258	18,258
Biological assets	15	107,712	95,084
Prepayments for non-current assets	17	46,350	44,087
Deferred tax assets		11,075	11,291
Total non-current assets		780,925	766,899
CURRENT ASSETS			
Inventories	14	167,348	180,124
Biological assets	15	6,014	10,026
Trade and bills receivables	16	237,707	221,528
Prepayments, deposits and other receivables	17	68,289	68,637
Tax recoverable		—	906
Pledged bank deposits	18	27,060	35,056
Cash and cash equivalents	18	73,602	91,401
Total current assets		580,020	607,678
CURRENT LIABILITIES			
Trade and bills payables	19	147,167	159,344
Other payables and accruals		97,306	110,318
Interest-bearing bank and other borrowings	20	303,076	279,329
Lease liabilities		19,023	31,402
Amount due to a related company		—	5,900
Tax payable		4,036	2,845
Government grants		2,953	2,749
Total current liabilities		573,561	591,887
NET CURRENT ASSETS		6,459	15,791
TOTAL ASSETS LESS CURRENT LIABILITIES		787,384	782,690

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		787,384	782,690
NON-CURRENT LIABILITIES			
Other payable		51,035	50,564
Interest-bearing bank and other borrowings	20	172,137	178,992
Lease liabilities		31,385	34,388
Government grants		2,403	3,853
Deferred tax liabilities		3,429	3,235
Total non-current liabilities		260,389	271,032
Net assets		526,995	511,658
EQUITY			
Equity attributable to owners of the parent			
Share capital	21	306,042	306,042
Shares held for share award scheme	22(b)	(3,221)	(6,258)
Reserves	23	224,174	211,874
Total equity		526,995	511,658

Director

Director

Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the parent									
	Share capital HK\$'000 (note 21)	Share premium HK\$'000 (note 21)	Shares held for share award scheme HK\$'000 (note 22(b))	Reserve for share award and share option HK\$'000 (note 22)	Merger reserve HK\$'000 (note 23)	Surplus reserves HK\$'000 (note 23)	Capital reserve HK\$'000 (note 23)	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 31 December 2020 (audited)	306,042	220,658	(6,258)	10,083	1,814	29,164	(7,505)	(2,021)	(40,319)	511,658
Profit for the period	—	—	—	—	—	—	—	—	11,974	11,974
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	839	—	839
Total comprehensive income for the period	—	—	—	—	—	—	—	839	11,974	12,813
Recognition of equity-settled share option expenses	—	—	—	2,386	—	—	—	—	—	2,386
Recognition of equity-settled share award expenses	—	—	—	387	—	—	—	—	—	387
Forfeiting of share option	—	—	—	(31)	—	—	—	—	—	(31)
Forfeiting of award shares under Share Award Scheme	—	—	—	(218)	—	—	—	—	—	(218)
Transfer of vested shares under Share Award Scheme	—	531	3,037	(3,568)	—	—	—	—	—	—
At 30 June 2021 (unaudited)	306,042	221,189*	(3,221)	9,039*	1,814*	29,164*	(7,505)*	(1,182)*	(28,345)*	526,995

* These reserve accounts comprise the consolidated reserves of HK\$224,174,000 (30 June 2020: HK\$167,632,000) in the interim condensed consolidated statement of financial position as at 30 June 2021.

Attributable to owners of the parent

	Share capital HK\$'000 (note 21)	Share premium HK\$'000 (note 21)	Shares held for share award scheme HK\$'000 (note 22(b))	Reserve for share award and share option HK\$'000 (note 22)	Merger reserve HK\$'000 (note 23)	Surplus reserves HK\$'000 (note 23)	Capital reserve HK\$'000 (note 23)	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 31 December 2019 (audited)	204,028	224,484	(7,200)	5,524	1,814	28,646	(7,505)	(16,157)	(71,511)	362,123
Profit for the period	—	—	—	—	—	—	—	—	11,437	11,437
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(6,849)	—	(6,849)
Total comprehensive income for the period	—	—	—	—	—	—	—	(6,849)	11,437	4,588
Issue of shares	102,014	3,291	—	—	—	—	—	—	—	105,305
Share issue expense	—	(7,257)	—	—	—	—	—	—	—	(7,257)
Recognition of share option	—	—	—	2,303	—	—	—	—	—	2,303
Recognition of equity-settled share award	—	—	—	354	—	—	—	—	—	354
Vesting of Share Award Scheme	—	140	942	(1,082)	—	—	—	—	—	—
At 30 June 2020 (unaudited)	306,042	220,658*	(6,258)	7,099*	1,814*	28,646*	(7,505)*	(23,006)*	(60,074)*	467,416

Interim Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		17,386	16,388
Adjustments for:			
Finance costs	7	13,492	11,165
Foreign exchange loss, net	6	1,580	1,002
Fair value gain on biological assets, net	6	(4,438)	(2,579)
Loss on disposal of property, plant and equipment	6	9	1,822
Gain on disposal of right-of-use assets	5	—	(699)
Fair value gain on financial assets at fair value through profit or loss	5	—	(56)
Share option expense	22(a)	2,355	2,303
Equity-settled share award expense	22(b)	169	354
Depreciation of property, plant and equipment	6	14,652	14,247
Depreciation of right-of-use assets	6	11,131	8,936
Amortisation of other intangible assets	6	2,467	1,809
Impairment of property, plant and equipment	6	183	225
Impairment of trade and bills receivables	6	3,221	3,734
Write-down of inventories to net realisable value	6	2,945	2,435
Bank interest income	5	(64)	(496)
		65,088	60,590
Decrease in inventories		19,599	25,928
Increase in biological assets		(11,681)	(11,674)
(Increase)/decrease in trade and bills receivables		(17,530)	2,233
(Increase)/decrease in prepayments, deposits and other receivables		811	(15,794)
Increase/(decrease) in trade and bills payables		(13,622)	2,556
Decrease in government grants		(1,304)	(501)
Increase/(decrease) in other payables and accruals		(13,794)	4,607
Cash generated from operations		27,567	67,945
Interest received		64	496
Interest element of finance lease rental payments		—	—
Hong Kong income tax paid		(3,392)	(2,640)
Overseas profits tax paid		(271)	(467)
PRC corporate income tax refund (paid)		832	(1,567)
Net cash flows generated from operating activities		24,800	63,767

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Net cash flows generated from operating activities		24,800	63,767
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(26,319)	(22,854)
Proceeds from disposal of items of property, plant and equipment and other intangible assets		—	76
Addition to intangible assets		(7,572)	(537)
Decrease in pledged deposits		7,996	7,459
Net cash flows used in investing activities		(25,895)	(15,856)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		141,388	251,297
Repayment of bank loans		(124,284)	(320,437)
Repayments of loans to a director		—	(15,000)
Proceeds from issue of shares	21	—	105,305
Share issue expense	21	—	(7,257)
Interest paid		(13,492)	(13,443)
Principal portion of lease payment		(16,698)	(16,548)
Net cash flows used in financing activities		(13,086)	(16,083)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(14,181)	31,828
Cash and cash equivalents at beginning of period		75,809	50,429
Effect of foreign exchange rate changes, net		3,340	5,970
CASH AND CASH EQUIVALENTS AT END OF PERIOD		64,968	88,227
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	18	73,602	98,798
Bank overdrafts	20	(8,634)	(10,571)
		64,968	88,227

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

The Company is an investment holding company. During the 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, plantation and trading of raw Chinese herbs, and manufacturing and sales of Traditional Chinese Medicine (“TCM”) decoction pieces (“中藥飲片”), as well as rendering of Chinese medical diagnostic services.

In the opinion of 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 interim condensed consolidated financial information for the Reporting Period has been prepared in accordance with HKAS 34 “Interim Financial Reporting”. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform — Phase 2

Amendment to
HKFRS 16

Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

The application of these amended and revised HKFRSs in the Reporting Period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

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

- (a) the China CCMG segment mainly engages in the production and sale of CCMG products in China;
- (b) the Hong Kong CCMG segment mainly engages in the sale of CCMG products excluding the sales through self-operated clinics in Hong Kong;
- (c) the Chinese healthcare products segment mainly engages in the production and sale of Chinese healthcare products in Hong Kong, the USA and Japan;
- (d) the clinics segment mainly engages in the provision of Chinese medical diagnostic services and sale of CCMG products through self-operated clinics; and
- (e) the plantation segment mainly engages in the plantation and trading of raw Chinese herbs, and manufacture and sale of TCM decoction pieces.

Management monitors the results of the Group's operating segments respectively for the purpose of making decisions about resource 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 or loss after tax except interest income, net foreign exchange gain/(loss), equity-settled share option and share award scheme expense, finance cost (other than interest on lease liabilities), corporate and other unallocated expenses and income tax expense.

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

The following tables present revenue, profit and other segment information for the Group's operating segments for the six months ended 30 June 2021 and 2020.

Six months ended 30 June 2021 (Unaudited)

	China CCMG HK\$'000	Hong Kong CCMG HK\$'000	Chinese healthcare products HK\$'000	Clinics HK\$'000	Plantation HK\$'000	Elimination HK\$'000	Total HK\$'000
Segment revenue:							
Revenue from external customers	156,880	72,697	39,358	23,897	9,925	—	302,757
Intersegment sales	44,617	1,838	867	—	1,164	(48,486)	—
	201,497	74,535	40,225	23,897	11,089	(48,486)	302,757
Segment results	29,716	17,467	10,794	(1,963)	(1,653)	—	54,361
Reconciliations:							
Interest income							64
Foreign exchange loss, net							(1,580)
Equity-settled share award and Share option expense							(2,524)
Finance costs (other than interest on lease liabilities)							(12,203)
Corporate and other unallocated expenses							(20,732)
Profit before tax							17,386
Income tax expense							(5,412)
Net profit							11,974
Other segment information:							
Depreciation and amortisation of property, plant and equipment and other intangible assets	7,231	1,369	2,017	4,136	2,366	—	17,119
Depreciation of right-of-use assets	4,127	578	2,701	2,770	955	—	11,131
Loss on disposal of items of property, plant and equipment	9	—	—	—	—	—	9
Write-down of inventories to net realisable value	2,945	—	—	—	—	—	2,945
Impairment of property, plant and equipment	56	—	—	75	52	—	183
Impairment of trade and bills receivables	3,221	—	—	—	—	—	3,221
Capital Expenditure	17,603	865	655	4	6,990	—	26,117

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2020 (Unaudited)

	China CCMG HK\$'000	Hong Kong CCMG HK\$'000	Chinese healthcare products HK\$'000	Clinics HK\$'000	Plantation HK\$'000	Elimination HK\$'000	Total HK\$'000
Segment revenue:							
Revenue to external customers	121,498	68,311	45,097	23,989	21,537	—	280,432
Intersegment sales	35,933	3,851	349	—	1,527	(41,660)	—
	157,431	72,162	45,446	23,989	23,064	(41,660)	280,432
Segment results	9,867	13,112	6,677	(3,433)	24,300	—	50,523
Reconciliations:							
Interest income							496
Foreign exchange loss, net							(1,002)
Equity-settled share award and Share option expense							(2,657)
Finance costs (other than interest on lease liabilities)							(9,236)
Corporate and other unallocated expenses							(21,736)
Profit before tax							16,388
Income tax expense							(4,951)
Net profit							11,437
Other segment information:							
Depreciation and amortisation of property, plant and equipment and other intangible assets	5,247	1,243	3,297	3,901	2,368	—	16,056
Depreciation of right-of-use assets	3,054	578	137	3,921	1,246	—	8,936
Loss on disposal of items of property, plant and equipment	1,822	—	—	—	—	—	1,822
Write-down of inventories to net realisable value	2,156	—	279	—	—	—	2,435
Impairment of property, plant and equipment	225	—	—	—	—	—	225
Impairment of trade and bills receivables	3,734	—	—	—	—	—	3,734
Capital Expenditure	25,028	85	431	801	3,132	—	29,477

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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sales of CCMG products	247,311	207,885
Sales of Chinese healthcare products	39,358	45,097
Sales of raw Chinese herbs	9,925	21,537
Rendering of Chinese medical diagnostic services (the "Diagnostic Services")	6,163	5,913
	302,757	280,432

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Disaggregated revenue information

Segments	For the six months ended 30 June					
	2021			2020		
	Sale of goods	Diagnostic services	Total	Sale of goods	Diagnostic services	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Types of goods or services						
Sale of goods	296,594	—	296,594	274,519	—	274,519
Rendering of services	—	6,163	6,163	—	5,913	5,913
Total revenue from contracts with customers	296,594	6,163	302,757	274,519	5,913	280,432
Geographical markets						
Hong Kong	107,042	5,793	112,835	102,873	5,763	108,636
Mainland China	168,848	370	169,218	144,426	150	144,576
Other countries/regions	20,704	—	20,704	27,220	—	27,220
Total revenue from contracts with customers	296,594	6,163	302,757	274,519	5,913	280,432
Timing of revenue recognition						
Goods transferred at a point in time	296,594	—	296,594	274,519	—	274,519
Services transferred over time	—	6,163	6,163	—	5,913	5,913
Total revenue from contracts with customers	296,594	6,163	302,757	274,519	5,913	280,432

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Disaggregated revenue information (Continued)

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Other income and gains		
Government grants*	6,435	40,823
Fair value gain on biological assets, net	4,438	2,579
Gain on disposal of right-of-use assets	—	699
Gain from the sale of equipment and accessories	1,035	509
Reversal of over-provision of litigations	1,553	—
Fair value gain on financial assets at fair value through profit or loss	—	56
Bank interest income	64	496
Others	1,238	290
	14,763	45,452

* The amount represented government grants from the relevant authorities in the People's Republic of China (the "PRC") and Hong Kong government, which consist primarily of the PRC subsidies and compensation for operation finance cost, rewarding the Group's industrial investments in poverty area, research and development costs, tax rebates subsidy and grants for improvement of our research facilities in relation to certain research and development projects.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Cost of inventories sold	102,954	109,412
Cost of services provided	3,399	3,751
Depreciation of property, plant and equipment	14,652	14,247
Depreciation of right-of-use assets	11,131	8,936
Amortisation of other intangible assets	2,467	1,809
Research and development costs*	11,926	8,044
Minimum lease payments under operating leases:		
Office equipment	—	37
Land and buildings	2,931	3,799
	2,931	3,836
Auditors' remuneration	1,195	1,107
Employee benefit expenses (excluding directors' remuneration):		
Wages and salaries	46,437	44,916
Pension scheme contributions	4,771	3,632
Share option expenses (note 22(a))	174	238
Equity-settled share award expenses (note 22(b))	91	183
	51,473	48,969
Foreign exchange loss, net**	1,580	1,002
Fair value gain on biological assets, net	(4,438)	(2,579)
Loss on disposal of property, plant and equipment	9	1,822
Impairment of financial asset, net:		
Impairment of trade and bill receivables	3,221	3,734
Impairment of property, plant and equipment	183	225
Write-down of inventories to net realisable value***	2,945	2,435

* Included in the research and development costs, there are expenditure of HK\$809,000 (six months ended 30 June 2020: HK\$629,000) disclosed in the item of "depreciation" and HK\$4,606,000 (six months ended 30 June 2020: HK\$3,895,000) disclosed in the item of "employee benefit expenses" for the Reporting Period.

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

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest expense on lease liabilities	1,289	1,929
Interest on bank loans and other borrowing and overdrafts	12,203	11,830
Less: interest capitalised	—	(2,594)
	13,492	11,165

8. INCOME TAX EXPENSE

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 are 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% (six months ended 30 June 2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. U.S. and Japan profits taxes have been provided at the rates of 28.5% (six months ended 30 June 2020: 28.8%) and 34.1% (six months ended 30 June 2020: 29.4%) on the estimated assessable profits arising in the respective jurisdictions during the Reporting Period. 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 ("PuraPharm Nanning"), is qualified as a High and New Technology Enterprise and was entitled to a preferential income tax rate of 15%.

8. INCOME TAX EXPENSE (CONTINUED)

According to prevailing PRC income tax law, the income obtained from activities in agricultural, forestry, animal husbandry and fishery projects shall be entitled to income tax reduction or exemption, among which, projects of cultivation of Chinese medicine herbs and service projects related to agriculture such as agro-product preliminary processing are exempted from income tax. Gold Sparkle (Guizhou) DZ Plantation Co., Ltd and Gold Sparkle (Guizhou) HZ Plantation Co., Ltd have obtained the documentation acknowledged by the in-charge tax authority for the CIT exemption for the Reporting Period and 2020 and the preferential income tax rate was 0%.

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current	5,021	3,982
Deferred	391	969
Total tax charge for the period	5,412	4,951

9. DIVIDEND

No interim dividend was proposed for the Reporting Period (six months ended 30 June 2020: nil).

10. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Profit attributable to the owners of the parent (HK\$'000)	11,974	11,437
Number of issued shares on 1 January	394,892,942	263,261,961
Adjustment for vested shares under share award scheme	(1,368,708)	(2,183,569)
Effect of Right Issue	—	87,269,158
Weighted average number of ordinary shares in issue during the period	393,524,234	348,347,550
Basic earnings per share (expressed in HK cents per share)	3.04	3.28

10. EARNINGS PER SHARE (CONTINUED)

(b) Diluted

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

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Profit attributable to the owners of the parent (HK\$'000)	11,974	11,437
Weighted average number of ordinary shares in issue during the period	393,524,234	348,347,550
Adjustment for Award Shares	852,717	702,569
Weighted average number of ordinary shares for diluted earnings per share calculation	394,376,951	349,050,119
Diluted earnings per share (expressed in HK cents per share)	3.04	3.28

The Group also had no potentially dilutive ordinary shares in issue for Share Options during the Reporting Period as its exercise price is higher than market price as at the end of the Reporting Period.

11. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group purchased property, plant and equipment with an aggregate cost of HK\$24,597,000 (six months ended 30 June 2020: HK\$26,672,000) and capitalised interest expense of nil (six months ended 30 June 2020: 2,594,000).

During the Reporting Period, property, plant and equipment with an aggregate carrying amount of HK\$18,000 (six months ended 30 June 2020: HK\$1,866,000) were disposed of by the Group and impairment losses of HK\$183,000 (six months ended 30 June 2020: HK\$225,000) was recognised on plant and equipment.

12. GOODWILL

	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
At 1 January	88,339	88,339
Impairment recognizes during the period/year	—	—
At 30 June/31 December	88,339	88,339

Impairment testing of goodwill

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

- Plantation CGU;
- Chinese herbal products CGU; and
- SODX Co., Ltd CGU ("SODX CGU").

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Plantation CGU	67,346	67,346
Chinese herbal products CGU	13,705	13,705
SODX CGU	7,288	7,288
	88,339	88,339

The recoverable amount of each CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets or forecasts approved by management covering a period of 5 to 8 years. The growth rates used to extrapolate the cash flows beyond the period are based on the estimated growth rate of each unit taking into account the industry growth rate, past experience and the medium or long term growth target of each CGU.

12. GOODWILL (CONTINUED)

Impairment testing of goodwill (Continued)

The pre-tax discount rates applied to cash flow projections and the growth rates used to extrapolate cash flows beyond the 5 to 8 years period are as follows:

	30 June 2021		31 December 2020	
	Growth Rate	Pre-tax Discount Rate	Growth Rate	Pre-tax Discount Rate
Plantation CGU	3.0%	13.0%	3.0%	13.0%
Chinese herbal products CGU	2.3%	16.77%	2.0%	16.96%
SODX CGU	0.8%	13.2%	0.9%	11.7%

Assumptions were used in the value in use calculation of each CGU as at 30 June 2021. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill of each CGU:

Compound annual growth rate within the budget period — The compound annual growth rate within the budget period is estimated based on the historical sales data and market outlook perceived by management.

Growth rates to extrapolate cash flows beyond the budget period — The growth rates used to extrapolate the cash flows beyond the budget period are based on the estimated growth rate of each unit taking into account the industry growth rate, past experience and the medium or long term growth target of each CGU.

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

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

Pre-tax discount rates — The discount rates reflect specific risks relating to the relevant CGUs.

The values assigned to above key assumptions are consistent with external information sources. In the opinion of the directors of the Company, any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of each CGU to exceed its recoverable amount.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Life insurance policies, at fair value	18,258	18,258

The Group financial assets at fair value through profit or loss represented the three life insurance policies (31 December 2020: three) to insure an executive director. Under the policies, the Group is the beneficiary and the policy holder. The Group paid upfront premiums for the policies and may surrender the insurance policies any time by making a written request and receive cash based on the surrender value of the policies at the date of withdrawal, which is calculated by the insurer. In the opinion of the directors, the surrender value of the policies provided by the insurance company is the best approximation of its fair value, which is categorised within Level 3 of the fair value hierarchy. The life insurance policies were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

As at 30 June 2021 and 31 December 2020, the Group's life insurance policies were pledged as security for bank facilities granted to the Group. Further details are contained in note 20 to the financial statements.

In the opinion of the directors, the Group's life insurance policies would not be surrendered within the next 12 months and were therefore classified as non-current assets.

14. INVENTORIES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Raw materials	63,311	64,105
Work in progress	25,312	25,902
Finished goods	85,165	98,962
	173,788	188,969
Less: provision	(6,440)	(8,845)
	167,348	180,124

15. BIOLOGICAL ASSETS

	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
As at 1 January	105,110	62,513
Addition during the period/year	9,157	28,109
Fair value gain on biological assets, net	4,438	20,800
Harvest during the period/year	(8,500)	(12,641)
Exchange realignment	3,521	6,329
As at 30 June/31 December	113,726	105,110
Portion classified as non-current portion	(107,712)	(95,084)
Current portion	6,014	10,026

The biological assets of the Group are raw Chinese herbs. The Group harvested raw Chinese herbs with a fair value less estimated cost to sell of HK\$8,500,000 (31 December 2020: HK\$12,641,000) during the Reporting Period.

The fair value of the biological assets is estimated using the discounted cash flows of the underlying biological assets. The periodic cash flow is estimated as gross income less production expenses including but not limited to rental expenses, labour costs, utilities and other operating and management expenses (the "Periodic Cash Flow") and discounted at a market-derived discount rate in order to establish the present value of the income stream associated with the biological assets.

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

- (i) the raw Chinese herbs will continue to be competently managed and remain free from irremediable diseases in their remaining estimated useful lives;
- (ii) the duration of the cash flows and the specific timing of inflows and outflows are determined by events such as life of raw Chinese herbs;
- (iii) estimated yields of raw Chinese herbs are estimated based on the amount planted, health condition, expected death rate, and production conversion rate (from the number of plants to Chinese herbs in kg) if necessary;
- (iv) the expected prices and price growth rate of raw Chinese herbs are estimated based on the historical average district prices; and
- (v) a market-derived discount rate of 14% is applied to the projection of the Periodic Cash Flow.

15. BIOLOGICAL ASSETS (CONTINUED)

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

16. TRADE AND BILLS RECEIVABLES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade receivables	244,911	230,702
Bills receivables	22,795	17,590
	267,706	248,292
Less: impairment of trade and bills receivables	(29,999)	(26,764)
	237,707	221,528

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

16. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 1 month	70,781	51,898
1 to 3 months	69,649	58,716
3 to 6 months	45,724	44,515
6 months to 1 year	40,330	41,117
Over 1 year	11,223	25,282
	237,707	221,528

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Non-current Prepayments for non-current assets	46,350	44,087
Current Prepayments	72,498	69,612
Right of return assets	2,820	1,967
Deposit and other receivables	39,572	41,396
	114,890	112,975
Less: impairment allowance	(251)	(251)
	114,639	112,724
Portion classified as non-current	(46,350)	(44,087)
Total	68,289	68,637

18. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Cash and bank balances	73,602	91,401
Time deposits	27,060	35,056
	100,662	126,457
Less: Pledged time deposits for bank loans and bills payables	(27,060)	(35,056)
Cash and cash equivalents	73,602	91,401
Cash and cash equivalents are dominated in:		
Renminbi ("RMB")	28,506	41,187
HK\$	22,495	27,231
US dollar ("US\$")	13,696	13,056
Japanese Yen ("JPY")	8,773	9,800
Canadian dollar ("CAD")	132	127
Cash and cash equivalents	73,602	91,401

19. TRADE AND BILLS PAYABLES

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 1 month	43,091	33,220
1 to 2 months	10,902	20,615
2 to 3 months	18,589	3,429
Over 3 months	74,585	102,080
	147,167	159,344

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

20. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2021 (Unaudited)		
	Effective interest rate (%)	Maturity	HK\$'000
Current			
Bank overdraft — unsecured	—	—	—
Bank overdraft — secured	4.25-5.27	On demand	8,634
Bank loans — secured	1.95-5.27	On demand	67,969
Bank loans and other borrowings — secured	0.85-9.00	2021-2022	184,033
Bank loans — unsecured	2.80-4.91	On demand	20,092
Bank loans — unsecured	4.35-5.66	2021-2022	21,348
Other borrowings — unsecured	8.50	2021	1,000
			303,076
Non-current			
Bank loans and other borrowings — secured	0.85-8.00	2022-2030	89,276
Bank loans — unsecured	4.50-6.18	2022-2027	58,451
Other borrowings — unsecured	10.00	2023	24,410
			172,137
Total			475,213

	31 December 2020 (Audited)		
	Effective interest rate (%)	Maturity	HK\$'000
Current			
Bank overdraft — unsecured	—	—	—
Bank overdraft — secured	1.85-5.25	On demand	15,591
Bank loans — secured	2.25-5.27	On demand	50,179
Bank loans and other borrowings — secured	0.85-9.00	2021	124,787
Bank loans — unsecured	2.80-4.91	On demand	20,735
Bank loans — unsecured	4.50-6.18	2021	57,537
Other borrowings — unsecured	8.50	2021	10,500
			279,329
Non-current			
Bank loans and other borrowings — secured	0.85-8.00	2022-2030	86,754
Bank loans — unsecured	4.50-6.18	2022-2027	60,902
Other borrowings — unsecured	7.00-10.00	2022-2023	31,336
			178,992
Total			458,321

20. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Analysed into:		
Bank loans and other borrowings payable:		
Within one year or on demand	303,076	279,329
In the second year	36,642	20,555
In the third to fifth years, inclusive	94,129	103,070
Beyond five years	41,366	55,367
	475,213	458,321

Interest-bearing bank and other borrowings are denominated in:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
HK\$	108,179	107,872
RMB	355,974	338,837
JPY	3,928	4,480
US\$	7,132	7,132
	475,213	458,321

- (a) HK Interpretation 5 "Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" requires that a loan which includes a clause that gives the lender the unconditional right to call the loan at any time ("repayment on demand clause") shall be classified in total by the borrower as current in the condensed consolidated statements of financial position. As at 31 December 2020, interest-bearing bank loans of the Group in the amount of HK\$86,505,000 include a repayment on demand clause under the relevant loan agreements, among which a balance of HK\$13,548,000 that is repayable after one year from 31 December 2020 has been classified as a current liability. No such reclassification as at 30 June 2021.
- (b) As at 30 June 2021, the Group's bank loans amounting to approximately HK\$50,088,000 (as at 31 December 2020: HK\$42,873,000) were not in compliance with certain financial loan covenants. Since these bank loans were either repayable on demand or within one year and have already been classified as a current liability, no further reclassification is needed.

20. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

(c) As at 30 June 2021, the Group's bank facilities including overdraft amounting to HK\$524,407,000 (31 December 2020: HK\$519,809,000) of which HK\$475,213,000 (31 December 2020: HK\$458,321,000) had been utilised.

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

	Carrying value	
	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Property, plant and equipment	131,146	142,575
Right-of-use assets	43,217	33,588
Financial assets at fair value through profit or loss	18,258	18,258
Inventories	42,105	41,717
Trade and bills receivables	20,049	34,124
Pledged bank deposits	27,060	35,056
	281,835	305,318

21. SHARE CAPITAL

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Authorised: 50,000,000,000 ordinary shares of US\$0.1 (HK\$0.775) each	38,750,000	38,750,000
Issued and fully paid: 394,892,941 (31 December 2020: 394,892,941) ordinary shares of US\$0.1 (HK\$0.775) each	306,042	306,042

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

	Number of shares in issue	Share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 31 December 2020 and 1 January 2021	394,892,941	306,042	220,658	526,700
Vesting of Share Award Scheme (note 22(b))	—	—	531	531
At 30 June 2021	394,892,941	306,042	221,189	527,231

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

(a) Share option scheme

The Company operates a share option scheme (the "Option Scheme") for the purpose to recognise and acknowledge the contributions that the eligible participants of the Option Scheme had or may have made to the Company. Eligible participants of the Option Scheme include any full-time or part-time employees, executives or officers of the Company and its subsidiaries, directors (including independent non-executive directors) of the Company and its subsidiaries and advisers, consultants, supplier, customers, distributors and other persons upon the terms set out in the Option Scheme (the "Eligible Option Participants"). The Option Scheme was adopted pursuant to the resolutions of the Company's shareholders passed on 12 June 2015 (the "Adoption Date") and shall be valid and effective for a period of 10 years commencing on the Adoption Date. The maximum number of shares which may be issued upon exercise of all options to be granted under the Option Scheme and other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the Listing Date (i.e., 22,500,000 shares) unless the Company obtains approval from its shareholders in general meeting and/or such other requirements prescribe under the Listing Rules and must not exceed 30% of the total number of shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of the Company's shares in issue, unless approval of the Company's shareholders in general meeting and/or such other requirements prescribe under the Listing Rules is obtained.

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

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

22. SHARE OPTION SCHEME AND SHARES HELD FOR THE SHARE AWARD SCHEME (CONTINUED)

(a) Share option scheme (Continued)

On 9 May 2019, the Board has resolved to grant share options to certain Directors and employees of the Company, entitling them to subscribe for a total of 6,376,000 ordinary shares of the Company. During the year 2020, one eligible employee resigned and forfeited share option to subscribe for a total of 170,000 ordinary shares of the company. The exercise price and the number of shares were adjusted upon completion of the Rights Issue on 2 March 2020.

On 24 July 2020, the Board has resolved to grant share options to certain Directors and employees of the Company, entitling them to subscribe for a total of 16,124,000 ordinary shares of the Company. Among the options resolved to grant, 4 employees did not accept the grant and out of the 16,124,000 options, 800,000 options were not granted eventually. As a result, only 15,324,000 options were granted for the year ended 31 December 2020.

The following share options were outstanding under the Option Scheme:

As at 30 June 2021

	Weighted average exercise price HK\$' (Unaudited)	Number of options '000 (Unaudited)
At 1 January 2021	1.25	21,797
Adjustment during the period	2.30	(7)
Forfeited during the period	0.80	(200)
At 30 June 2021	1.25	21,590

22. SHARE OPTION SCHEME AND SHARES HELD FOR THE SHARE AWARD SCHEME (CONTINUED)

(a) Share option scheme (Continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the Reporting Period are as follows:

Number of options	Exercise price	Vesting date	Exercise period
3,056,144	HK\$2.3*	10 May 2020	From vesting date to 9 May 2029
3,056,144	HK\$2.3*	10 May 2021	
177,137	HK\$2.3*	10 May 2022	
177,137	HK\$2.3*	10 May 2023	
7,622,000	HK\$0.8*	23 July 2021	From vesting date to 23 July 2030
7,102,000	HK\$0.8*	23 July 2022	
400,000	HK\$0.8*	23 July 2023	
<u>21,590,562</u>			

- * On 2 March 2020 (the "Rights Issue Date"), 131,630,980 new right shares of US\$0.1(HK\$0.775) each were allotted and issued at a price of HK\$0.8 per share on the basis of one new rights share for every two shares held on 6 February 2020 (the "Rights Issue"). The proceeds of HK\$102,014,000 representing the par value were credited to the Company's share capital and the remaining proceeds of HK\$3,291,000 (before deduction of share issue expenses) were credited to the share premium account. Further details of the Rights Issue are set out in the prospectus dated 7 February 2020 and announcement dated 28 February 2020 issued by the Company. The number of options and exercise price was adjusted upon the completion of Rights issue.

22. SHARE OPTION SCHEME AND SHARES HELD FOR THE SHARE AWARD SCHEME (CONTINUED)

(a) Share option scheme (Continued)

Details of the share option expenses of the Group during the six months ended 30 June 2021 and 2020 is listed as below:

	Six months ended 30 June 2021 HK\$'000 (Unaudited)	Six months ended 30 June 2020 HK\$'000 (Unaudited)
Share option expenses recognised during the period	2,386	2,303
Forfeited during the period	(31)	—
Net share option expenses recognised during the period	2,355	2,303
Less: Included in directors' remuneration	(2,181)	(2,065)
Employee benefit expenses	174	238

The fair value of the share options granted during 2020 and 2019 was HK\$4,453,000 and HK\$7,893,000 respectively, of which the Group recognised a share option expense of HK\$2,355,000 in aggregate (six months ended 30 June 2020: HK\$2,303,000) during the Reporting Period.

At the end of the Reporting Period, the Company had 21,590,562 share options outstanding under the Option Scheme, which represented approximately 5.5% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 21,590,562 additional ordinary shares of the Company and additional equity amount of HK\$26,972,625 (before issue expenses).

22. SHARE OPTION SCHEME AND SHARES HELD FOR THE SHARE AWARD SCHEME (CONTINUED)

(b) Shares held for the share award scheme

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

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

The Group has set up a trust (the "Share Award Scheme Trust") for the purpose of administering the Share Award Scheme. The Share Award Scheme Trust will acquire the Company's shares from the Stock Exchange, with a maximum number determined by the Board, and hold the shares granted to the employees but not vested for the employees until they are vested. Unless early terminated by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date. The Board has further resolved in February 2016 that a sum of HK\$10,000,000 be provided for the purchase of the Shares to be awarded to the Eligible Award Participants to be selected by the Board. As at 30 June 2021, the Share Award Scheme Trust holds 959,335 (31 December 2020: 1,916,000) shares of the Company. During the Reporting Period, no share was purchased by the Share Award Scheme Trust through the Stock Exchange and a total of 956,665 shares were vested.

On 16 June 2017 (the "Date of Grant"), the board of the directors of the Company resolved to grant share awards in respect of a total of 2,050,000 shares (the "Award Shares") to 18 persons who are Eligible Award Participants. Four of the Eligible Award Participants have resigned during the years ended 31 December 2018 and 2019, and therefore their 510,000 shares of Award Shares were forfeited. Details of the grant of Award Shares pursuant to the Award Scheme have been set out in the Company's announcement dated 16 June 2017.

On 25 August 2020, the board of the directors of the Company resolved to grant share awards in respect of a total of 1,000,000 shares to Mr. SK Cheong, a newly appointed executive director. This director was re-designated as a non-executive director in June 2021 and a total of 333,335 shares was forfeited.

22. SHARE OPTION SCHEME AND SHARES HELD FOR THE SHARE AWARD SCHEME (CONTINUED)

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

Details of the equity-settled share award expenses of the Group during the Reporting Period and 2020 is listed as below:

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Gross amount of recognition share award expenses	387	354
Forfeited during the period	(218)	—
Net share award expenses recognised during the period	169	354
Less: Included in directors' remuneration	(78)	(171)
Employee benefit expenses	91	183

Summary of particulars of the Award Shares is as follows:

Date of Grant	Number of outstanding Awarded Shares as at the Date of Grant	Fair value HK\$'000	Vesting Date	Number of Awarded Shares				
				Vested during the prior periods	Forfeited during the prior periods	Vested during the current period	Forfeited during the current period	Outstanding as at 30 June 2021
16 June 2017	615,000	2,295	16 June 2018	(525,000)	(90,000)	—	—	—
16 June 2017	410,000	1,529	16 June 2019	(290,000)	(120,000)	—	—	—
16 June 2017	410,000	1,529	16 June 2020	(290,000)	(120,000)	—	—	—
16 June 2017	410,000	1,529	16 June 2021	—	(120,000)	(290,000)	—	—
16 June 2017	205,000	765	16 June 2022	—	(60,000)	—	—	145,000
25 August 2020	333,333	234	1 January 2021	—	—	(333,333)	—	—
25 August 2020	83,333	58	1 February 2021	—	—	(83,333)	—	—
25 August 2020	83,333	58	1 March 2021	—	—	(83,333)	—	—
25 August 2020	83,333	58	1 April 2021	—	—	(83,333)	—	—
25 August 2020	83,333	58	1 May 2021	—	—	(83,333)	—	—
25 August 2020	83,333	58	1 June 2021	—	—	—	(83,333)	—
25 August 2020	83,333	58	1 July 2021	—	—	—	(83,333)	—
25 August 2020	83,333	58	1 August 2021	—	—	—	(83,333)	—
25 August 2020	83,336	60	1 September 2021	—	—	—	(83,336)	—
	3,050,000	8,347		(1,105,000)	(510,000)	(956,665)	(333,335)	145,000

23. RESERVES

Surplus reserves

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

Capital reserve

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

Merger reserve

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

24. COMMITMENTS

The Group had the following capital commitments at the end of each of the Reporting Period:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Contracted, but not provided for:		
Buildings	19,042	22,375
Plant and machinery	347	1,212
	19,389	23,587

25. RELATED PARTY TRANSACTIONS

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

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

Name of related parties	Relationship
Mr. Abraham Chan	Director of the Company
Mr. Chan Kin Man, Eddie ("Mr. Eddie Chan")	Director of the Company
Edtoma Corporate Services Limited ("Edtoma")	Company significantly influenced by Mr. Eddie Chan
CWCC Consultancy Limited ("CWCC")	Company significantly influenced by Mr. Eddie Chan
HerbMiners Informatics Ltd ("HerbMiners")	Company controlled by Mr. Abraham Chan

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

		Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Repayment of Loans to a director	(i)	—	15,000
Interest expense to a director	(i)	—	107
Professional service fees	(ii)	365	262

Notes:

- (i) On 14 March 2018, the Group entered into a loan agreement with Mr. Abraham Chan, in which Mr. Abraham Chan agreed to make loan facility up to HK\$50 million to the Group for financing the general corporate funding requirements. During the six months ended 30 June 2020, the Group repaid loans amounting to HK\$15 million to Mr. Abraham Chan. The interest expense in relation to the aforesaid loans from to a director was accrued at the rate of 1-month HIBOR plus 2.5% per annum which is determined according to prices and conditions similar to loans offered by the banks to the Group.
- (ii) The professional service fees were paid to Edtoma and CWCC, over which Mr. Eddie Chan has significant influence, under a price mutually agreed by both parties. The Directors consider that the service charges offered by the supplier were in line with its other suppliers.

25. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances with related parties:

	30 June 2021		31 December 2020	
	HK\$'000 (Unaudited)	Maximum amount outstanding HK\$'000 (Unaudited)	HK\$'000 (Audited)	Maximum amount outstanding HK\$'000 (Audited)
Loans from a director				
Mr. Abraham Chan (i)	—	—	—	15,000
Amount due to a related company				
HerbMiners (ii)	—	5,900	5,900	9,900

(i) The loans from a director is unsecured, repayable on demand and bears interest at the rate of 1-month HIBOR plus 2.5% per annum which is determined according to prices and conditions similar to those offered by the banks to the Group.

(ii) The balance with HerbMiners was unsecured, interest-free and settled on terms of three months.

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

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Fees	—	—
Other emoluments:		
Salaries, allowances and benefits in kind	5,603	2,688
Pension scheme contributions	33	27
Share option expense (note 22 (a))	2,181	2,065
Equity-settled share award expense (note 22(b))	78	171
	7,895	4,951

26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group's financial assets include financial assets at fair value through profit or loss and financial assets at amortised cost which comprise financial assets at fair value through profit or loss, cash and cash equivalents, pledged bank deposits, trade and bills receivables and financial assets included in prepayments, deposits and other receivables. The Group's financial liabilities include financial liabilities at amortised cost which comprise trade and bills payables, lease liabilities, amount due to a related company, financial liabilities included in other payables and accruals and interest-bearing bank and other borrowings.

Management has assessed that:

- (a) The fair value of the financial assets at fair value through profit or loss has been estimated based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data; and
- (b) the fair values of the Group's financial assets classified as financial assets at amortised cost and financial liabilities were approximate to their carrying amounts largely due to the short term maturities of these instruments.

There were no transfers of fair value measurements during the Reporting Period.

27. APPROVAL OF FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by board of directors on 20 August 2021.



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