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PuraPharm

PURAPHARM CORPORATION LIMITED

培力農本方有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1498)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

	FINANCIAL HIGHLIGHT					
	Six months ended 30 June					
	2024		2023		Change	
	Revenue	% of	Revenue	% of	Change	
	HK\$'000	total	HK\$'000	total	HK\$'000	%
China CCMG	20,675	10.0%	22,311	11.5%	(1,636)	(7.3%)
HK and overseas CCMG	107,643	51.8%	106,755	54.7%	888	0.8%
Chinese healthcare products	45,313	21.8%	37,465	19.2%	7,848	20.9%
Nong's® (農本方®) Chinese medicine clinics	29,429	14.2%	25,554	13.1%	3,875	15.2%
Plantation	4,567	2.2%	2,996	1.5%	1,571	52.4%
Total	<u>207,627</u>	<u>100.0%</u>	<u>195,081</u>	<u>100.0%</u>	12,546	6.4%
Loss for the period	(18,686)		(37,675)		18,989	(50.4%)

The board (the “**Board**”) of directors (the “**Directors**”) of PuraPharm Corporation Limited (the “**Company**”) hereby presents the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2024 (the “**Reporting Period**”) with the corresponding comparative figures of the six months ended 30 June 2023 and certain comparative audited figures as at 31 December 2023 as follows.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2024	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
REVENUE	<i>5</i>	207,627	195,081
Cost of sales		<u>(94,365)</u>	<u>(83,156)</u>
Gross profit		113,262	111,925
Other income and gains	<i>5</i>	5,693	6,056
Selling and distribution expenses		(40,204)	(50,173)
Administrative expenses		(75,708)	(80,607)
Share of loss of a joint venture		(149)	–
Reversal of impairment/(impairment) loss on financial assets, net		1,264	(46)
Other expenses		(5,671)	(10,321)
Finance costs		<u>(13,252)</u>	<u>(13,348)</u>
LOSS BEFORE TAX	<i>6</i>	(14,765)	(36,514)
Income tax expense	<i>7</i>	<u>(3,921)</u>	<u>(1,161)</u>
LOSS FOR THE PERIOD		<u>(18,686)</u>	<u>(37,675)</u>
Attributable to:			
Owners of the parent		<u>(18,686)</u>	<u>(37,675)</u>
LOSS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For loss for the period (expressed in HK cents per share)	<i>9</i>	<u>(4.73)</u>	<u>(9.54)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	<u>(18,686)</u>	<u>(37,675)</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(5,031)	(6,856)
Reclassification of reserve upon deregistration of a subsidiary	<u>227</u>	<u>429</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>(4,804)</u>	<u>(6,427)</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	<u>(23,490)</u>	<u>(44,102)</u>
Attributable to:		
Owners of the parent	<u>(23,490)</u>	<u>(44,102)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2024	31 December 2023
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		281,363	291,552
Investment properties		4,278	4,309
Right-of-use assets		100,206	105,353
Goodwill	10	17,944	17,944
Other intangible assets		32,691	34,744
Investment in a joint venture		1,116	1,265
Financial assets at fair value through profit or loss		21,283	20,425
Prepayments for non-current assets	13	8,588	9,984
Deferred tax assets		8,555	8,819
		476,024	494,395
CURRENT ASSETS			
Inventories		146,709	175,597
Trade and bills receivables	12	63,110	80,870
Prepayments, deposits and other receivables	13	40,692	45,354
Tax recoverable		122	526
Restricted cash and pledged deposits		32,246	27,095
Cash and cash equivalents		22,829	20,126
		305,708	349,568
CURRENT LIABILITIES			
Trade and bills payables	14	141,600	146,379
Other payables and accruals		74,322	100,479
Interest-bearing bank and other borrowings	15	271,768	304,023
Lease liabilities		17,127	17,972
Tax payable		5,018	2,066
Government grants		387	170
		510,222	571,089
NET CURRENT LIABILITIES		(204,514)	(221,521)
TOTAL ASSETS LESS CURRENT LIABILITIES		271,510	272,874

		30 June	31 December
		2024	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>271,510</u>	<u>272,874</u>
NON-CURRENT LIABILITIES			
Other payables and accruals		14,812	14,044
Interest-bearing bank and other borrowings	<i>15</i>	105,931	81,093
Lease liabilities		17,713	21,682
Government grants		1,069	1,076
Deferred tax liabilities		<u>1,514</u>	<u>1,743</u>
Total non-current liabilities		<u>141,039</u>	<u>119,638</u>
Net assets		<u><u>130,471</u></u>	<u><u>153,236</u></u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>16</i>	306,820	306,820
Shares held for share award scheme	<i>17(b)</i>	(2,859)	(2,859)
Reserves		<u>(173,490)</u>	<u>(150,725)</u>
Total equity		<u><u>130,471</u></u>	<u><u>153,236</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2024	2023
	<i>Notes</i> HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax:	(14,765)	(36,514)
Adjustments for:		
Finance costs	13,252	13,348
Bank interest income	(310)	(284)
Foreign exchange difference, net	<i>6</i> (1)	(66)
Equity-settled share option expenses	<i>17</i> 725	2,147
Depreciation of property, plant and equipment	<i>6</i> 8,777	9,413
Depreciation of right-of-use assets	<i>6</i> 10,205	9,325
Amortisation of other intangible assets	<i>6</i> 2,714	2,646
Fair value loss on biological assets, net	<i>6</i> –	6,683
Fair value gain on financial assets at fair value through profit or loss	<i>5</i> (109)	(325)
(Gain)/loss on termination of right-of-use assets	<i>6</i> (154)	246
Loss on disposal of fixed assets	3	–
(Reversal of impairment)/impairment loss on trade and bills receivables, net	<i>6</i> (1,264)	46
Write-down/(write-back) of inventories to net realisable value	<i>6</i> 902	(915)
Share of loss of a joint venture	149	–
	20,124	5,750
Decrease/(increase) in inventories	27,034	(11,850)
Addition in biological assets	–	(12,001)
Decrease in trade and bills receivables	18,545	46,749
Decrease/(increase) in prepayments, deposits and other receivables	2,086	(32,914)
(Decrease)/increase in trade and bills payables	(4,471)	10,631
Increase/(decrease) in government grants	241	(307)
(Decrease)/increase other payables and accruals	(19,825)	13,228
Decrease in tax recoverable	402	5,457

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cash generated from operations	44,136	24,743
Interest received	310	284
Hong Kong income tax paid	(581)	(432)
Oversea income tax paid	(114)	(54)
PRC corporate income tax paid	(626)	266
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Net cash flows generated from operating activities	43,125	24,807
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(875)	(3,433)
Proceeds from disposal of items of property, plant and equipment and other intangible assets	–	1
Addition to intangible assets	(669)	(1,002)
Increase in restricted cash and pledged deposits	(5,151)	(3,367)
Acquisition of a joint venture	–	(630)
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Net cash flows used in investing activities	(6,695)	(8,431)
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CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease)/increase in director's loan	(3,593)	2,841
New bank loans and other borrowings	140,335	59,071
Repayment of bank loans and other borrowings	(145,729)	(84,561)
Decrease in overdrafts	–	(3,195)
Principal portion of lease payment	(10,183)	(9,744)
Interest paid	(13,252)	(13,348)
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Net cash flows used in financing activities	(32,422)	(48,936)
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	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4,008	(32,560)
Cash and cash equivalents at beginning of period	20,126	75,831
Effect of foreign exchange rate changes, net	(1,305)	4,802
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CASH AND CASH EQUIVALENTS AT END OF PERIOD	22,829	48,073
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ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	22,829	48,073
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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 six months ended 30 June 2024 (the “**Reporting Period**”), the Group have been 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 six months ended 30 June 2024 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 2023.

The condensed consolidated interim financial statements have not been audited by the Company’s independent auditors but have been reviewed by the Company’s audit committee.

During the six months ended 30 June 2024, the Group recorded a loss attributable to the owners of the Company of HK\$18.7 million. As at 30 June 2024, the Group had net current liabilities of HK\$204.5 million, cash and cash equivalents of HK\$22.8 million and short term borrowings of HK\$271.8 million. The above conditions indicated the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern.

In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the directors of the Company implemented or is in the process of implementing the following measures:

- (a) The Group continues to restructure their products mix, downsizing those non-profitable business operations and tightening overall cost control measures so as to attain profitable and positive cash flow operations;
- (b) The Group's sales continue to grow during the reporting period;
- (c) The Group has taken and will continue to take measures to tighten cost controls over administrative and other operating expenses aiming at improving the working capital and cash flow position of the Group;
- (d) During the Reporting Period, the Group continue to be able to draw down or renew HK\$94.5 million of loans from the bank facilities. The directors believe that it is highly probable that they could continue to draw down the unutilised bank facilities or renew the revolving loans under the existing bank facilities in the future;
- (e) The directors are also actively negotiating with the banks to seek for new borrowings and finding additional new sources of financing. The Group was able to obtain new bank borrowings of HK\$45.8 million during the Reporting Period. In addition, the Group had non-pledged long-term assets of HK\$159.5 million in the PRC as at 30 June 2024, which could be used for obtaining new borrowings in the future;
- (f) The Group is actively seeking potential investor to raise capital; and
- (g) The Group is seeking opportunities to dispose some of its assets and subsidiaries that are not related to their core business operations.

The directors of the Company have prepared a cash flow forecast for the Group which covers a period over twelve months from the end of the reporting period. They are of the opinion that, taking into account the abovementioned plans and measures, coupled with the Group's internally generated funds and unutilised bank facilities, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors are of the opinion that it is appropriate to prepare the condensed consolidated financial statements of the Group for the six months ended 30 June 2024 on a going concern basis.

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 2023, 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 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the “ 2020 Amendments ”)
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the “ 2022 Amendments ”)
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

The application of these 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, China, 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 difference, 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.

The following tables present revenue, profit and other segment information for the Group's operating segments for the six months ended 30 June 2024 and 2023.

Six months ended 30 June 2024 (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	20,675	107,643	45,313	29,429	4,567	–	207,627
Intersegment sales	67,036	2,528	433	–	10,206	(80,203)	–
Total segment revenue	<u>87,711</u>	<u>110,171</u>	<u>45,746</u>	<u>29,429</u>	<u>14,773</u>	<u>(80,203)</u>	<u>207,627</u>
Segment results	(3,009)	39,417	6,053	364	(4,418)	–	38,407
Reconciliations:							
Interest income							310
Foreign exchange difference, net							1
Equity-settled share option expense							(725)
Finance costs (other than interest on lease liabilities)							(12,513)
Corporate and other unallocated expenses							<u>(40,245)</u>
Loss before tax							(14,765)
Income tax expense							<u>(3,921)</u>
Net loss							<u>(18,686)</u>
Other segment information:							
Depreciation and amortisation of property, plant and equipment and other intangible assets	6,039	1,164	1,933	965	1,390	–	11,491
Depreciation of right-of-use assets	640	423	3,359	4,729	1,054	–	10,205
Write-down/(write-back) of inventories to net realisable value	770	(393)	–	–	525	–	902
(Reversal of impairment)/ impairment loss on trade and bills receivables, net	(1,644)	18	183	4	175	–	(1,264)
Government grants	595	–	–	–	401	–	996
Capital Expenditure*	<u>1,462</u>	<u>–</u>	<u>2,505</u>	<u>5,420</u>	<u>–</u>	<u>–</u>	<u>9,387</u>

Six months ended 30 June 2023 (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	22,311	106,755	37,465	25,554	2,996	–	195,081
Intersegment sales	57,994	2,205	520	–	4,438	(65,157)	–
Total segment revenue	<u>80,305</u>	<u>108,960</u>	<u>37,985</u>	<u>25,554</u>	<u>7,434</u>	<u>(65,157)</u>	<u>195,081</u>
Segment results	(1,229)	36,634	(3,520)	2,039	(13,659)	–	20,265
Reconciliations:							
Interest income							284
Foreign exchange difference, net							66
Equity-settled share award and Share option expense							(2,147)
Finance costs (other than interest on lease liabilities)							(12,505)
Corporate and other unallocated expenses							(42,477)
Loss before tax							(36,514)
Income tax expense							(1,161)
Net loss							<u>(37,675)</u>
Other segment information:							
Depreciation and amortisation of property, plant and equipment and other intangible assets	5,874	1,220	2,007	681	2,277	–	12,059
Depreciation of right-of-use assets	732	262	3,453	4,137	741	–	9,325
(Write-back)/write-down of inventories to net realisable value	76	(1,164)	(9)	–	182	–	(915)
Impairment/(reversal of impairment) loss on trade and bills receivables, net	(1,657)	393	270	–	1,040	–	46
Government grants	3,036	152	844	–	1,181	–	5,213
Capital Expenditure*	<u>2,366</u>	<u>–</u>	<u>1,384</u>	<u>5,408</u>	<u>992</u>	<u>–</u>	<u>10,150</u>

* *Capital expenditure consists of additions to right-of-use assets amounted to HK\$6,912,000 (six months ended 30 June 2023: HK\$5,217,000).*

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	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sales of CCMG products	150,000	148,058
Sales of Chinese healthcare products	45,313	37,465
Sales of raw Chinese herbs	4,567	2,996
Rendering of Chinese medical diagnostic services (the "Diagnostic Services")	<u>7,747</u>	<u>6,562</u>
Total	<u>207,627</u>	<u>195,081</u>

Disaggregated revenue information

Segments	For the six months ended 30 June					
	2024			2023		
	Sale of goods <i>HK\$'000</i>	Diagnostic services <i>HK\$'000</i>	Total <i>HK\$'000</i>	Sale of goods <i>HK\$'000</i>	Diagnostic services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Types of goods or services						
Sale of goods	199,880	–	199,880	188,519	–	188,519
Rendering of services	–	7,747	7,747	–	6,562	6,562
Total revenue from contracts with customers	<u>199,880</u>	<u>7,747</u>	<u>207,627</u>	<u>188,519</u>	<u>6,562</u>	<u>195,081</u>
Geographical markets						
Hong Kong	153,146	7,519	160,665	143,079	6,562	149,641
Chinese Mainland	25,533	228	25,761	25,235	–	25,235
Other countries/regions	<u>21,201</u>	–	<u>21,201</u>	<u>20,205</u>	–	<u>20,205</u>
Total revenue from contracts with customers	<u>199,880</u>	<u>7,747</u>	<u>207,627</u>	<u>188,519</u>	<u>6,562</u>	<u>195,081</u>
Timing of revenue recognition						
Goods transferred at a point in time	199,880	–	199,880	188,519	–	188,519
Services transferred over time	–	7,747	7,747	–	6,562	6,562
Total revenue from contracts with customers	<u>199,880</u>	<u>7,747</u>	<u>207,627</u>	<u>188,519</u>	<u>6,562</u>	<u>195,081</u>

Other income and gains

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Government grants*	996	5,213
Gain from the sale of equipment and accessories	3,490	–
Bank interest income	310	284
Fair value gain on financial assets at fair value through profit or loss	109	325
Others	788	234
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Total	5,693	6,056

* *The amount represented government grants from the relevant authorities in the PRC and Hong Kong government, which consisted primarily of the PRC subsidies and compensation for operation finance costs, research and development costs and grants for improvement of the Group's research facilities in relation to certain research and development projects.*

6. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	89,154	80,385
Cost of services provided	5,211	2,771
Depreciation of property, plant and equipment	8,777	9,413
Depreciation of right-of-use assets	10,205	9,325
Amortisation of other intangible assets	2,714	2,646
(Gain)/loss on termination of right-of-use assets	(154)	246
Loss on disposal of fixed assets	3	–
Research and development costs*	5,597	9,625
Lease payments not included in the measurement of lease liabilities:		
Land and buildings	1,530	1,999
Auditors' remuneration	1,275	1,423
Employee benefit expenses (excluding directors' remuneration):		
Wages and salaries	37,156	38,632
Pension scheme contributions	4,818	4,148
Share option expenses (<i>note 17(a)</i>)	–	16
	41,974	42,796
Foreign exchange difference, net**	(1)	(66)
Fair value loss on biological assets, net	–	6,683
(Reversal of impairment)/impairment loss on trade and bill receivables, net	(1,264)	46
Write-down/(write-back) of inventories to net realisable value***	902	(915)

* *HK\$1,710,000 (six months ended 30 June 2023: HK\$1,186,000) disclosed in the item of "Depreciation" and HK\$3,256,000 (six months ended 30 June 2023: HK\$3,359,000) disclosed in the item of "Employee benefit expenses" were also included in "Research and development costs" for the six months ended 30 June 2024.*

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

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

7. INCOME TAX

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% (2023: 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 (2023: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 16.5%).

U.S. profits tax has been provided at the federal rate of 21.0% and the state rate of 8.8% as well as Japan profits tax has been provided at the rate of 23.2% on the estimated assessable profits arising in the respective jurisdictions during the six months ended 30 June 2024 and 2023.

The statutory tax rate of the Group in respect of its operation in Chinese Mainland is 25.0% (2023: 25.0%). The Group's PRC subsidiary, PuraPharm (Nanning) Pharmaceuticals Co., Limited, is qualified as a High and New Technology Enterprise and was entitled to a preferential income tax rate of 15.0% (2023: 15.0%). 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. PuraPharm (Guizhou) Chinese Medicine 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 six months ended 30 June 2024 and 2023 and the preferential income tax rate was 0%.

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current	3,940	2,035
Deferred	(19)	(874)
Total tax charge for the period	<u>3,921</u>	<u>1,161</u>

8. DIVIDENDS

No interim dividend was proposed for the six months ended 30 June 2024 and 2023.

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the parent by the weighted average number of ordinary shares in issue during the six months ended 30 June 2024 excluding ordinary shares purchased by the Group and held for Share Award Scheme (note 17(b)).

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Loss attributable to the owners of the parent (<i>HK\$'000</i>)	<u>(18,686)</u>	<u>(37,675)</u>
Number of issued shares on 1 January	395,897,275	395,897,275
Adjustment for vested shares under share award scheme	<u>(844,335)</u>	<u>(844,335)</u>
Weighted average number of ordinary shares in issue during the period	<u>395,052,940</u>	<u>395,052,940</u>
Basic loss per share (<i>expressed in HK cents per share</i>)	<u>(4.73)</u>	<u>(9.54)</u>

(b) Diluted

The Group had no potentially dilutive ordinary shares in issue for share options and share award scheme during the six months ended 30 June 2024 and 2023 as they had an anti-dilutive effect on the basic loss per share amounts presented.

10. GOODWILL

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
At 1 January	17,944	20,993
Impairment recognised during the period/year	<u>–</u>	<u>(3,049)</u>
At 30 June/31 December	<u>17,944</u>	<u>17,944</u>

Impairment testing of goodwill

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

- 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 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Chinese herbal products CGU	10,656	10,656
SODX CGU	<u>7,288</u>	<u>7,288</u>
Total	<u>17,944</u>	<u>17,944</u>

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 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.

11. BIOLOGICAL ASSETS

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
As at 1 January	–	18,432
Addition during the period/year	–	16,616
Fair value loss on biological assets, net	–	(16,790)
Harvest during the period/year	–	(18,090)
Exchange realignment	–	(168)
	<hr/>	<hr/>
As at 30 June/31 December	–	–

The biological assets of the Group are raw Chinese herbs. No raw Chinese herbs was harvested by the Group (31 December 2023: with a fair value less estimated cost to sell of HK\$18,090,000) 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.

No discounted cash flow projection was made for biological assets as at 30 June 2024 and 31 December 2023 due to all of the raw Chinese herbs were harvested.

12. TRADE AND BILLS RECEIVABLES

	30 June 2024	31 December 2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables	113,535	132,273
Bills receivables (<i>Note</i>)	329	993
	113,864	133,266
Less: impairment of trade and bills receivables	(50,754)	(52,396)
Total	63,110	80,870

Note: During the six months ended 30 June 2024, the Group entered into a series of bills discounted arrangements (the “**Arrangements**”) to transfer bills receivable (the “**Discounted Bills**”) to PRC banks or third-party company with a carrying amount in aggregate of HK\$548,000 (2023: HK\$441,000). Under the Arrangements, the Group may be required to reimburse the PRC banks or third-party company for loss of principal and interest if any trade debtors have default payment. In the opinion of the Directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Bills, and accordingly, it continued to recognise the full carrying amounts of the Discounted Bills and other borrowings as disclosed in note 15. Due to the cash flow of bills receivable are not solely payments of principal and interest, the total amount of bills receivables are accounted as financial assets at fair value through other comprehensive income as at 30 June 2024 and in the opinion of the Directors, the carrying amounts of the Discounted Bills are approximate their fair values.

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

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

	30 June	31 December
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within 1 month	37,079	51,226
1 to 3 months	3,644	1,952
3 to 6 months	7,523	819
6 months to 1 year	10,127	22,070
Over 1 year	4,737	4,803
	<u>63,110</u>	<u>80,870</u>
Total	<u>63,110</u>	<u>80,870</u>

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June	31 December
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Prepayments	18,073	19,778
Right of return assets	2,232	4,075
Deposit and other receivables	32,030	34,909
Amount due from related parties	715	392
	<u>53,050</u>	<u>59,154</u>
Less: impairment allowance	(3,770)	(3,816)
	<u>49,280</u>	<u>55,338</u>
Portion classified as non-current	(8,588)	(9,984)
	<u>40,692</u>	<u>45,354</u>
Current portion	<u>40,692</u>	<u>45,354</u>

14. 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	31 December
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within 1 month	66,770	52,514
1 to 2 months	3,168	5,500
2 to 3 months	14,048	12,627
Over 3 months	57,614	75,738
	<hr/>	<hr/>
Total	141,600	146,379
	<hr/> <hr/>	<hr/> <hr/>

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

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

		30 June 2024 (Unaudited)	
	Effective interest rate (%)	Maturity	<i>HK\$'000</i>
Current			
Bank loans – secured (a)	2.80-7.65	On demand	138,275
Bank loans – secured	2.47-7.00	2024-2025	63,864
Bank loans – unsecured (a)	4.50	On demand	15,545
Bank loans – unsecured	6.50	2024-2025	18,836
Other borrowings – secured	7.06-8.00	2024-2025	6,794
Other borrowings – unsecured	7.00-10.00	2024-2025	<u>28,454</u>
			<u>271,768</u>
Non-current			
Bank loans – secured	0.85-6.50	2026-2032	104,037
Bank loans – unsecured	1.20	2030	784
Other borrowings – secured	7.06	2025	<u>1,110</u>
			<u>105,931</u>
Total			<u><u>377,699</u></u>

	31 December 2023 (Audited)		
	Effective interest rate (%)	Maturity	HK\$'000
Current			
Bank loans – secured (a)	2.80-7.65	On demand	145,792
Bank loans – secured	2.47-7.00	2024	89,353
Bank loans – unsecured (a)	4.50	On demand	15,656
Bank loans – unsecured	6.50	2024	17,823
Other borrowings – secured	7.06-8.00	2024	6,708
Other borrowings – unsecured	7.00-10.00	2024	28,691
			<u>304,023</u>
Non-current			
Bank loans – secured	0.85-6.50	2025-2029	76,970
Bank loans – unsecured	1.20	2030	1,036
Other borrowings – secured	7.06	2025	3,087
			<u>81,093</u>
Total			<u><u>385,116</u></u>

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Analysed into:		
Bank loans and other borrowings:		
Within one year or on demand	271,768	304,023
In the second year	15,785	11,147
In the third to fifth years, inclusive	83,627	59,841
Beyond five years	6,519	10,105
	<u>377,699</u>	<u>385,116</u>

Interest-bearing bank and other borrowings are denominated in:

	30 June	31 December
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
HK\$	102,634	112,280
RMB	270,793	270,763
JPY	1,653	2,073
US\$	2,619	–
	377,699	385,116

Notes:

- (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 in the loan at any time (“**repayment on demand clause**”) shall be classified in total by the borrower as current in the consolidated statement of financial position. Interest-bearing bank loans of the Group in the amount of HK\$104,741,000 (31 December 2023: HK\$112,280,000) include a repayment on demand clause under the relevant loan agreements, among which a balance of HK\$39,345,000 (31 December 2023: HK\$39,670,000) that is repayable after one year from the end of the Reporting Period has been classified as a current liability. For the purpose of the above analysis, such loans are included within current secured bank loans and analysed into bank loans repayable within one year.
- (b) As at 30 June 2024, the Group was not in compliance with certain loan covenants as stipulated in the agreements of the bank loans amounting to approximately HK\$87,098,000 (31 December 2023: HK\$93,240,000). Bank loans amounting to HK\$54,009,000 (31 December 2023: HK\$59,404,000), out of the HK\$87,098,000, are repayable on demand and have already been accounted for as current liabilities; and the remaining balance of HK\$33,089,000 (31 December 2023: HK\$33,836,000) which are repayable beyond 12 months, have already been accounted for as current liabilities.
- (c) As at 30 June 2024, the Group’s bank facilities including overdraft were amounting to HK\$488,481,000 (31 December 2023: HK\$490,593,000) of which HK\$377,699,000 (31 December 2023: HK\$385,116,000) had been utilised.

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

	Carrying value	
	30 June 2024 <i>HK\$'000</i> (Unaudited)	31 December 2023 <i>HK\$'000</i> (Audited)
Property, plant and equipment	162,729	170,336
Investment properties	4,278	4,309
Right-of-use assets	35,136	36,533
Financial assets at fair value through profit or loss	18,842	18,733
Inventories	15,145	27,094
Trade and bills receivables	35,669	55,620
Pledged deposits	10,000	10,000
	<hr/>	<hr/>
Total	281,799	322,625
	<hr/> <hr/>	<hr/> <hr/>

16. SHARE CAPITAL

	30 June 2024 <i>HK\$'000</i>	31 December 2023 <i>HK\$'000</i>
Authorised:		
50,000,000,000 ordinary shares of US\$0.1 (HK\$0.775) each	38,750,000	38,750,000
	<hr/> <hr/>	<hr/> <hr/>
Issued and fully paid:		
395,897,275 (31 December 2023: 395,897,275) ordinary shares of US\$0.1 (HK\$0.775) each	306,820	306,820
	<hr/> <hr/>	<hr/> <hr/>

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

	Number of shares in issue	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024	<u>395,897,275</u>	<u>306,820</u>	<u>221,571</u>	<u>528,391</u>

17. 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**” and the “**Stock Exchange**”, respectively) 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.

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. The exercise price and the number of shares were adjusted upon completion of the Rights Issue on 2 March 2020.

On 24 July 2020, 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 grantee accepting the grant. Among the options resolved to grant, 4 employees have not accepted 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.

On 29 December 2022, the Board has resolved to grant share options to certain Directors of the Company, entitling them to subscribe for a total of 7,700,000 ordinary shares of the Company at the exercise price of HK\$1.292 per share, conditional upon the grantee accepting the grant.

The following share options were outstanding under the Option Scheme:

As at 30 June 2024

	Weighted average exercise price HK\$ (Unaudited)	Number of options '000 (Unaudited)
At 1 January 2024 and 30 June 2024	<u><u>1.35</u></u>	<u><u>23,962</u></u>

The exercise prices and exercise periods of the share options outstanding are as follows:

Number of options	Exercise price	Vesting date	Exercise period
3,011,859	HK\$2.3*	10 May 2020	From vesting date to 9 May 2029
3,011,859	HK\$2.3*	10 May 2021	From vesting date to 9 May 2029
132,853	HK\$2.3*	10 May 2022	From vesting date to 9 May 2029
132,853	HK\$2.3*	10 May 2023	From vesting date to 9 May 2029
4,417,667	HK\$0.8	23 July 2021	From vesting date to 23 July 2030
5,388,667	HK\$0.8	23 July 2022	From vesting date to 23 July 2030
166,666	HK\$0.8	23 July 2023	From vesting date to 23 July 2030
3,850,000	HK\$1.292	29 December 2023	From vesting date to 28 December 2032
<u>3,850,000</u>	HK\$1.292	29 December 2024	From vesting date to 28 December 2032
<u><u>23,962,424</u></u>			

As at 30 June 2023

	Weighted average exercise price <i>HK\$</i> (Unaudited)	Number of options '000 (Unaudited)
At 1 January 2023 and 30 June 2023	<u>1.35</u>	<u>24,029</u>

The exercise prices and exercise periods of the share options outstanding are as follows:

Number of options	Exercise price	Vesting date	Exercise period
3,011,859	HK\$2.3*	10 May 2020	From vesting date to 9 May 2029
3,011,859	HK\$2.3*	10 May 2021	From vesting date to 9 May 2029
132,853	HK\$2.3*	10 May 2022	From vesting date to 9 May 2029
132,853	HK\$2.3*	10 May 2023	From vesting date to 9 May 2029
4,417,667	HK\$0.8	23 July 2021	From vesting date to 23 July 2030
5,422,000	HK\$0.8	23 July 2022	From vesting date to 23 July 2030
200,000	HK\$0.8	23 July 2023	From vesting date to 23 July 2030
3,850,000	HK\$1.292	29 December 2023	From vesting date to 28 December 2032
<u>3,850,000</u>	HK\$1.292	29 December 2024	From vesting date to 28 December 2032
<u>24,029,091</u>			

* *The number of option and exercise price was adjusted upon the completion of Right issue.*

Details of the share option expenses of the Group during the six months ended 30 June 2024 and 2023 is listed as below:

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Share option expenses recognised during the period	725	2,147
Less: Included in directors' remuneration	(725)	(2,131)
	<hr/>	<hr/>
Employee benefit expenses	–	16
	<hr/> <hr/>	<hr/> <hr/>

At the end of the Reporting Period, the Company had 23,962,424 (six months ended 30 June 2023: 24,029,091) share options outstanding under the Option Scheme, which represented approximately 6.1% (six months ended 30 June 2023: 6.1%) 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 23,962,424 (six months ended 30 June 2023: 24,029,091) additional ordinary shares of the Company and additional equity amount of HK\$32,389,000 (six months ended 30 June 2023: HK\$32,442,000) (before issue expenses).

(b) Shares held for the share award scheme

The Board has adopted a Share Award Scheme on 22 February 2016 (the “**Share 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.

Purpose of the Share Award Scheme

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.

Shareholdings of Share Award Scheme Trust

As at 30 June 2024, the Share Award Scheme Trust holds 844,335 (six months ended 30 June 2023: 844,335) shares of the Company. During the six months ended 30 June 2024, no share (six months ended 30 June 2023: Nil) was purchased by the Share Award Scheme Trust through the Stock Exchange and no share was vested (six months ended 30 June 2023: Nil).

Granted Award shares

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

On 25 August 2020, the Board resolved to grant share awards in respect of a total of 1,000,000 shares to a director and this director was re-designated as a non-executive director in June 2021 and retired in March 2022. All of the awarded shares granted to this director were vested or forfeited at that time.

All of the awarded shares were vested or forfeited and no share has been awarded during the six months ended 30 June 2023 and 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Challenges and Outlook

Despite the increase to 298 national standards, this figure remains below the 500 varieties typically required by hospitals. The shortage has restricted prescriptions, causing a shift back to traditional herbal decoctions and impacting CCMG granule sales in mainland China.

However, we anticipate further releases of national standard varieties this year, maintaining our optimism about the prospects for CCMG granules in the Chinese market. We are actively preparing to expand our market share.

Greater Bay Area Integration

Our integration into the Greater Bay Area is progressing well. The new Nong's clinic in Futian has met budget expectations, and cross-border sales of our health food products are experiencing significant growth.

Looking forward, we plan to expand our clinic chain in the Greater Bay Area by opening three additional clinics in Shenzhen this year, following the successful model of our Hong Kong clinics.

Product Development and Market Expansion

We are committed to developing new health products for both the China and international markets. Our focus on cross-border sales channels will continue, along with the launch of innovative, high-quality products to drive growth and create shareholder value.

FINANCIAL REVIEW

Revenue

	Six months ended 30 June					
	2024		2023		Change	
	Revenue	% of	Revenue	% of	Change	
	HK\$'000	total	HK\$'000	total	HK\$'000	%
China CCMG	20,675	10.0%	22,311	11.5%	(1,636)	(7.3%)
HK and overseas CCMG	107,643	51.8%	106,755	54.7%	888	0.8%
Chinese healthcare products	45,313	21.8%	37,465	19.2%	7,848	20.9%
Nong's® (農本方®) Chinese medicine clinics	29,429	14.2%	25,554	13.1%	3,875	15.2%
Plantation	4,567	2.2%	2,996	1.5%	1,571	52.4%
Total	207,627	100.0%	195,081	100.0%	12,546	6.4%
Loss for the period	(18,686)		(37,675)		18,989	(50.4%)

The Group's revenue for the 2024 Interim Period was HK\$207.6 million, representing an increase of HK\$12.5 million or 6.4%, compared to HK\$195.1 million for the corresponding period in last year. The revenue growth was mainly attributable to i) the growth of the Chinese healthcare products in Hong Kong and Mainland market and ii) continued growth of the Group's Nong's® (農本方®) Chinese medicine clinics in Hong Kong during the 2024 Interim Period.

The Group recorded a net loss for the 2024 Interim Period of HK\$18.7 million as compared with the net loss of HK\$37.7 million during the corresponding period in last year. The decrease in loss was mainly attributable to i) the reduction in the fair value loss of the biological assets related to the Group's plantation segment since it had been fully impaired during the year ended 31 December 2023; and ii) the reduction in administrative expenses and selling and distribution expenses as a result of the cost control activities for the Group's operation.

China CCMG

During the 2024 Interim Period, the China CCMG market was continuously affected by the implementation of the new national standards in November 2021. Therefore, the sales of CCMG in China was HK\$20.7 million, representing a decrease of HK\$1.6 million or 7.3% compared to HK\$22.3 million for the corresponding period in last year. The decrease in revenue from China CCMG business during the 2024 Interim Period was mainly attributable to the cost of CCMG produced under the prescribed national standards higher than before, the market still undergoing adjustment to adopt to the new higher pricing. As a result, the China CCMG sales business decreased during the 2024 Interim Period.

Hong Kong and overseas CCMG

According to a market research performed in 2024, 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 2024 Interim Period, the direct sales of CCMG products in Hong Kong was HK\$107.6 million, representing an increase of HK\$0.9 million or 0.8% compared to HK\$106.8 million for the corresponding period in last year. In the 2024 Interim Period, the Group has improved both the segment's turnover as well as the gross profit through high quality of customer service and stable supply of products, and as Hong Kong market was not affected by the new national standards, the demand of the CCMG products in Hong Kong market increased.

During the 2024 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.

Chinese healthcare products

	Six months ended 30 June					
	2024		2023		Change	
	Revenue <i>HK\$'000</i>	% of total	Revenue <i>HK\$'000</i>	% of total	<i>HK\$'000</i>	%
United States of America (the "U.S.")	16,357	36.1%	15,577	41.6%	780	5.0%
Japan	4,313	9.5%	4,248	11.3%	65	1.5%
Hong Kong and Mainland	24,643	54.4%	17,640	47.1%	7,003	39.7%
	45,313	100.0%	37,465	100.0%	7,848	20.9%

During the 2024 Interim Period, revenue from sales of Chinese healthcare products in the U.S., Japan, Hong Kong and Mainland markets was HK\$45.3 million in aggregate, representing an increase of HK\$7.8 million or 20.9% as compared to HK\$37.5 million in the corresponding period in last year.

Among the Group's Chinese healthcare products segment, the sales recorded an increase of HK\$7.0 million which is mainly attributable to the growth of the sales in Mainland market. The increase in revenue was benefited from more resources in the marketing and advertising of Chinese healthcare products being invested by the Group.

The Group has invested more during the period ended 30 June 2024 in marketing and advertising of Chinese healthcare products, the expenses of which are recognized as an expense but will benefit the sales of the Group's various products in near future.

As the COVID-19 pandemic has lasted for more than three years and under the general concept for the society to coexist with COVID-19, the Group believes that consumers' 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 reach the PRC and overseas markets with great growth potential.

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

During the 2024 Interim Period, the Group's optimization of the clinic segment is substantially completed. With the 23 clinics operated in Hong Kong and a clinic operated in Shenzhen as at 30 June 2024, which is the same number as at 31 December 2023, the revenue generated by the Group's Nong's® (農本方®) Chinese medicine clinics through the sales of CCMG products and provision of Chinese medical diagnostic services increased to HK\$29.4 million by HK\$3.8 million or 15.2% compared to HK\$25.6 million for the corresponding period in last year.

The increase in revenue of Nong's clinics segment during the 2024 Interim Period is attributable to the effect of an increase in outpatient traffic caused by the increase in number of patients contracting influenza that was prevalent during the interim period.

By leveraging the Group's brand awareness in Hong Kong, the Group is seeking to explore the market opportunity in Great Bay Area by continuing opening clinics there. The Group will continue to review and improve the performance of the existing clinic portfolio and proactively negotiate with the landlords on rental reduction in order to improve clinic profitability.

Plantation

For the 2024 Interim Period, the upstream plantation segment contributed HK\$4.6 million to the Group's overall revenue, representing an increase from HK\$3.0 million recorded in the corresponding period in last year by HK\$1.6 million or 52.4%. The revenue from the plantation segment was mainly derived from the plantation and trading of raw Chinese herbs.

Profitability

	Six months ended 30 June		
	2024	2023	Change
	HK\$'000	HK\$'000	HK\$'000
Revenue	207,627	195,081	12,546
Cost of sales	(94,365)	(83,156)	(11,209)
Gross profit	<u>113,262</u>	<u>111,925</u>	<u>1,337</u>
Gross profit margin	<u>54.6%</u>	<u>57.4%</u>	

The Group's gross profit margin for the 2024 Interim Period was 54.6%, representing a decrease of 2.8 percentage points, as compared to 57.4% in the corresponding period in last year. The decrease in gross profit margin was mainly attributable to the effect of the decrease in gross profit margin in China CCMG segment because of the cost of CCMG produced under the new standards was higher than before and the market is still undergoing on adjustment to the adoption of the higher pricing.

Other income and gains

The Group's other income and gains mainly comprised of government grants, gain from sale of equipment and accessories, fair value gain on financial assets at fair value through profit or loss and bank interest income. For the 2024 Interim Period, the Group's other income and gain was HK\$5.7 million, representing a decrease of HK\$0.4 million or 6.0% as compared to HK\$6.1 million for the corresponding period in last year.

The decrease in other income and gains was mainly due to a decrease in government grants received in the 2024 Interim Period compared to the corresponding period in last year, this drop was partly offset by increase gain from the sales of equipment and accessories as a whole.

Selling and distribution expenses

The Group's selling and distribution expenses mainly comprised of advertising and promotion expenses, sales and marketing staff costs, delivery and storage costs, depreciation expense, travel and business development expenses and sales and marketing departmental expenses. For the 2024 Interim Period, the Group's selling and distribution expenses was HK\$40.2 million, representing a decrease of HK\$10.0 million or 19.9% as compared to HK\$50.2 million for the corresponding period in last year. The decrease was mainly attributable to the result of effective control in the marketing expenses.

For the 2024 Interim Period, selling and distribution expenses as a percentage to revenue decreased from 25.7% for the corresponding period in last year to 19.4%. Without damaging the Group's market position, the Group has controlled some of the variable marketing expenses but some selling and distribution expenses, which are fixed in nature, may not be able to be adjusted accordingly, which are important for the expected sales rebound in near future.

Administrative expenses

	Six months ended 30 June			
	2024	2023	Change	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	%
Clinics operating expenses	15,875	17,921	(2,046)	(11.4%)
Research and development costs	5,597	9,625	(4,028)	(41.8%)
General administrative expenses	54,236	53,061	1,175	2.2%
Total administrative expenses	<u>75,708</u>	<u>80,607</u>	(4,899)	(6.1%)

The Group's administrative expenses included both operating expenses for clinics and general administrative expenses. The expenses mainly comprised of staff costs, research and development costs, office and clinics rental expenses, legal and professional fees, clinic management fee, depreciation and amortisation and other general administrative expenses.

For the 2024 Interim Period, the Group's operating expenses for clinics was HK\$15.9 million, representing an decrease of HK\$2.0 million or 11.4% as compared to HK\$17.9 million for the corresponding period in last year. The decrease was mainly attributable to the decrease in staff costs for Hong Kong clinics. The number of clinics in operation in Hong Kong remained at 23 as at 30 June 2024 which is the same as at 31 December 2023.

The research and development costs for the 2024 Interim Period decreased by HK\$4.0 million or 41.8%, mainly due to the decrease in the testing and sampling fee as less products need to be registered and filed with the authority under the requirement of the new standards during the 2024 Interim Period. The Group's general administrative expenses for the 2024 Interim Period increased by HK\$1.2 million or 2.2%, which was mainly due to the increase in staff costs and depreciation during 2024 Interim Period.

Other expenses

The Group's other expenses mainly comprised of fair value loss on biological assets, loss on disposal of property, plant and equipment, net foreign exchange loss and voluntary charity donation. For the 2024 Interim Period, the Group's other expenses was HK\$5.7 million, representing a decrease of HK\$4.6 million or 45.1% as compared to HK\$10.3 million for the corresponding period in last year. The significant decrease in other expenses was mainly attributable to the decrease of net fair value loss on biological assets since it had been fully impaired during the year ended 31 December 2023.

Finance costs

For the 2024 Interim Period, the Group's finance costs amounted to HK\$13.3 million, which remained stable compared with the corresponding period in last year.

Income tax expense

During the 2024 Interim Period, the Group's income tax expenses increased from HK\$1.2 million in the corresponding period in last year to HK\$3.9 million for the 2024 Interim Period. The income tax expense arose from the profitable subsidiaries. The increase was mainly due to the better performance in the profitable subsidiaries during the 2024 Interim Period and more income tax expense was incurred under the Hong Kong CCMG segment.

Loss for the period

The Group recorded a net loss for the 2024 Interim Period of HK\$18.7 million as compared with the net loss of HK\$37.7 million during the corresponding period in last year. The decrease in loss was mainly attributable to i) the reduction in the fair value loss of the biological assets related to the Group's plantation segment since it had been fully impaired during the year ended 31 December 2023; and ii) the reduction in administrative expenses and selling and distribution expenses as a result of the cost control activities for the Group's operation.

CAPITAL EXPENDITURES

The Group's capital expenditures primarily comprised of payments and deposits for purchase of property, plant and equipment, right-of-use assets and intangible assets. During the 2024 Interim Period, the total capital expenditure was HK\$9.4 million (six months ended 30 June 2023: HK\$10.2 million). The capital expenditures during the 2024 Interim Period was mainly incurred for new production equipment for meeting the new national standards in the Nanning factory.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2024, the Group had net current liabilities of HK\$204.5 million (31 December 2023: net current liabilities of HK\$221.5 million), which included cash and cash equivalents of HK\$22.8 million (31 December 2023: HK\$20.1 million) and interest-bearing bank and other borrowings amounting to HK\$377.7 million (31 December 2023: HK\$385.1 million). As at 30 June 2024, bank borrowings of our Group amounting to approximately HK\$341.3 million were at fixed interest rates ranging from 0.85% to 7.65% per annum. For details of the interest-bearing bank and other borrowings made by the Group, please refer to note 15 to the interim condensed consolidated financial statements in this announcement. As at 30 June 2024, the Group's unused bank facilities including overdraft amounted to HK\$110.8 million (31 December 2023: HK\$105.4 million).

TREASURY POLICY AND RISK MANAGEMENT

The Directors will continue to follow a prudent treasury 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, while no unnecessary risks are taken with the Group's assets. No investment in financial instruments other than cash or bank deposits was used during the 2024 Interim Period. As at 30 June 2024, 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. As at 30 June 2023 and 2024, 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 2024, the gearing ratio of the Group, which is calculated by dividing total interest-bearing bank and other borrowings by total equity, was 2.9 (31 December 2023: 2.5). Such increase was mainly attributable to the decrease in the Group's equity as a result of the net loss for the period ended 30 June 2024.

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. During the 2024 Interim Period, the Group has not entered into any foreign exchange contracts or instruments to hedge against the fluctuations in exchange rates between currencies. 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 2024, the Group had a total of 525 employees (31 December 2023: 662 employees). During the six months ended 30 June 2024, total staff costs excluding Directors' remuneration was HK\$42.0 million (six months ended 30 June 2023: HK\$42.8 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 Group and individual's 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 security for interest-bearing bank and other borrowings as at 31 December 2023 and 30 June 2024:

	Carrying value	
	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Property, plant and equipment	162,729	170,336
Right-of-use assets	35,136	36,533
Financial assets at fair value through profit or loss	18,842	18,733
Inventories	15,145	27,094
Trade and bills receivables	35,669	55,620
Pledged bank deposits	10,000	10,000
Investment property	4,278	4,309
	<u>281,799</u>	<u>322,625</u>

CAPITAL COMMITMENT

The Group had the following capital commitment as at 31 December 2023 and 30 June 2024:

	30 June 2024	31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Land and Buildings	26,736	27,423
Plant and machinery	44	–
	<u>26,780</u>	<u>27,423</u>

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 six months ended 30 June 2024.

CONTINGENT LIABILITIES

There were no material contingent liabilities of the Group as at 30 June 2024.

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 the beginning of the 2024 Interim Period, the Net Proceeds brought forward from the year 2023 amounted to HK\$6.4 million. As at 30 June 2024, the Group had utilised approximately HK\$282.0 million of the Net Proceeds in accordance with the proposed applications set out in the Company’s listing prospectus, as follows:

Use	Total approximate amount of Net Proceeds (in HK\$ million)	Approximate percentage of Net Proceeds	Approximate amount utilised as at 30 June 2024 (in HK\$ million)	Approximate amount utilised during the 2024 Interim Period (in HK\$ million)	Approximate amount unutilised as at 30 June 2024 (in HK\$ million)	Expected timeline for intended use
To expand manufacturing facilities and enhance existing production lines	86.5	30%	86.5	—	—	—
To establish new Nong’s® Chinese medicine clinics in Hong Kong and the PRC	72.1	25%	72.1	—	—	—
To expand distribution network into new target cities in the PRC	57.7	20%	57.7	—	—	—
To fund the development and launch of two new proprietary Chinese medicine products	43.3	15%	36.9	—	6.4	by December 2025
Additional working capital of the Group	28.8	10%	28.8	—	—	—
	<u>288.4</u>	<u>100%</u>	<u>282.0</u>	<u>—</u>	<u>6.4</u>	

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. The Company will utilise the remaining unutilised balance of the Net Proceeds in accordance with the disclosure in the listing properties of the Company.

Among the remaining unutilised portion of the Net Proceeds, HK\$4.3 million has been allocated to the development of pharmaceutical products for treating irritable bowel syndrome, known as “仁術腸樂顆粒” (the “**Product**”). On 8 October 2020, the Group entered into an asset sale agreement (the “**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 the development of the Product (the “**Asset Disposal**”). As the conditions precedent in the Asset Sale Agreement were not fully fulfilled and the parties to the Asset Sale Agreement did not agree on any further extension of the long stop date for satisfaction of the conditions precedents under the Asset Sale Agreement, the Asset Sale Agreement was lapsed on 30 September 2021 and the sale of the development of the Product would no longer proceed. As such, the Group will continue to apply the unutilised portion of the Net Proceeds allocated to the development of the Product according to the disclosure of the Company’s listing prospectus. For further information in relation to the lapse of connected transaction in relation to Asset Disposal, please refer to the announcements of the Company dated 8 October 2020, 25 March 2021 and 5 October 2021.

SHARE OPTION SCHEME

On 12 June 2015, the share option scheme (the “**Share Option Scheme**”) was adopted by the then Shareholders and will be valid and effective for a period of 10 years from the adoption date on 12 June 2015 and shall expire on the day immediately preceding the tenth anniversary period (which will expire on 12 June 2025). 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 options 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 period within which payments or calls must or may be made or loans for such purposes must be repaid for the amount payable on acceptance of the option under the rules of Share Option Scheme is 30 days after the relevant date of grant of the options. The Board shall have the discretion to decide the period within which the shares must be taken up under the share options and the minimum period for which the share option must be held before it can be exercised.

As at 31 December 2021, the total number of shares which may be issued upon exercise of all options available to be granted under the Share Option Scheme is 39,489,294. The refreshment of the scheme mandate limit under the Share Option Scheme (the “**Scheme Mandate Limit**”) was approved by the shareholders of the Company at the annual general meeting held on 28 May 2021, after which the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme is 39,489,294, representing 10% of the number of issued shares of the Company as at the date of the annual general meeting on 28 May 2021.

On 9 May 2019, 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. The exercise period of the share options are from the respective vesting dates to 9 May 2029. 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 grantee accepting the grant. The closing price of the share immediately before the date of grant is HK\$0.69. The exercise period of the share options are from the respective vesting dates to 23 July 2030. Among the options resolved to grant, 4 employees did not accept the grant and out of the 16,124,000 options, resulting 800,000 option not being granted eventually. As a result, only 15,324,000 options were granted for the year ended 31 December 2020.

On 29 December 2022, a total of 7,700,000 options were granted to two Directors, entitling them to subscribe for 7,700,000 ordinary shares at the exercise price of HK\$1.292 per share. The particulars of the said grant are as follows:

Closing price of the shares : HK\$1.29 per share
on the date of grant

Closing price of the shares immediately : HK\$1.28 per share
before the date of grant

Validity period of the options : 10 years from 29 December 2022 to 28
December 2032, both dates inclusive

Vesting schedule of the options : 50% of options granted on the first anniversary
date of grant shall be vested to the Grantees and
the remaining balance of 50% on the second
anniversary date of grant shall be vested to the
Grantees

As at 30 June 2024, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme is 20,112,424 shares.

During the 2024 Interim Period, no options were granted by the Board. No options were exercised, lapsed or cancelled during the 2024 Interim Period. During the 2024 Interim Period, the Company did not have any treasury Shares.

As at 1 January 2024 and 30 June 2024, the total number of share which may be issued upon the exercise of all options granted under the Share Option Scheme was 23,962,424 shares and 23,962,424 shares, respectively, which represent approximately 6.05% and 6.05% of the total number of issued shares of the Company, respectively.

As at 1 January 2024 and 30 June 2024, the total number of share available for issue for the options available to be granted under the Share Option Scheme was 31,789,294 shares and 31,789,294 shares, respectively, which represent approximately 8.03% and 8.03% of the total number of issued shares of the Company, respectively. There was no service provider sublimit set for the Share Option Scheme.

Details of the options under the Share Option Scheme are as follows:

Grantees	Name of Director	Grant date	Exercise price	Vesting date	As at	Number of	Exercised	Lapsed	As at
					1 January 2024	options granted during the 2024 Interim Period	during the 2024 Interim Period	during the 2024 Interim Period	30 June 2024
Directors	Mr. Chan Yu Ling, Abraham	9 May 2019	HK\$2.3 (Note)	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
		29 Dec 2022	HK\$1.292	29 Dec 2023	1,925,000	—	—	—	1,925,000
				29 Dec 2024	1,925,000	—	—	—	1,925,000
	Ms. Man Yee Wai, Viola	9 May 2019	HK\$2.3 (Note)	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
		29 Dec 2022	HK\$1.292	29 Dec 2023	1,925,000	—	—	—	1,925,000
				29 Dec 2024	1,925,000	—	—	—	1,925,000
Sub-total for Directors					17,539,006	—	—	—	17,539,006

Grantees	Name of Director	Grant date	Exercise price	Vesting date	As at	Number of	Exercised	Lapsed	As at
					1 January 2024	options granted during the 2024 Interim Period	during the 2024 Interim Period	during the 2024 Interim Period	30 June 2024
	Mr. Chan Kin Man,	9 May 2019	HK\$2.3	10 May 2020	1,085,228	—	—	—	1,085,228
	Eddie (retired on 28 May 2021)		(Note)	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 Biu,	9 May 2019	HK\$2.3	10 May 2020	354,275	—	—	—	354,275
	Alvin (retired on 28 May 2021)		(Note)	10 May 2021	354,275	—	—	—	354,275
		24 Jul 2020	HK\$0.8	23 July 2022	871,000	—	—	—	871,000
	Dr. Norimoto Hisayoshi (retired on 20 November 2023, currently the Chief Executive Officer of PuraPharm Japan Corporation)	9 May 2019	HK\$2.3	10 May 2020	44,285	—	—	—	44,285
			(Note)	10 May 2021	44,285	—	—	—	44,285
				10 May 2022	44,284	—	—	—	44,284
				10 May 2023	44,284	—	—	—	44,284
		24 Jul 2020	HK\$0.8	23 Jul 2021	66,667	—	—	—	66,667
				23 Jul 2022	66,667	—	—	—	66,667
				23 Jul 2023	66,666	—	—	—	66,666
Sub-total					5,869,144	—	—	—	5,869,144
Employees		9 May 2019	HK\$2.3	10 May 2020	88,570	—	—	—	88,570
			(Note)	10 May 2021	88,568	—	—	—	88,568
				10 May 2022	88,568	—	—	—	88,568
				10 May 2023	88,568	—	—	—	88,568
					354,274	—	—	—	354,274
		24 July 2020	HK\$0.8	23 July 2022	100,000	—	—	—	100,000
				23 July 2023	100,000	—	—	—	100,000
					200,000	—	—	—	200,000
Sub-total for Employees					554,274	—	—	—	554,274
Total					23,962,424	—	—	—	23,962,424

Note:

As a result of the completion of the Rights Issue, assuming no other adjustment events under the terms and conditions of the Share Option Scheme having been triggered and pursuant to (i) the terms and conditions of Share Option Scheme; and (ii) Chapter 17 of the Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005 regarding adjustment of share options under Rule 17.03(13) of the Listing Rules, 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 before the completion of the Rights Issue has been adjusted.

SHARE AWARD SCHEME

The Board adopted a share award scheme on 22 February 2016 (the “**Share Award Scheme**”) in which any employee and 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 will be entitled to participate by awarding the award Shares (the “**Award Shares**”) to them.

Awarded Shares

During the 2024 Interim Period, there was no outstanding or unvested Awarded Shares under the Share Award Scheme.

During the 2024 Interim Period, no Award Shares were granted.

The Share Award Scheme does not involve any issue of new Share.

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 C1 to the Listing Rules as its own code of corporate governance. Throughout the six months ended 30 June 2024, save as disclosed below, the Company has complied with all applicable code provisions set out in the Code.

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

For the six months ended 30 June 2024, the Directors were not aware of any business or interest of the Directors, the controlling shareholders, and their respective close associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

A deed of non-competition dated 16 June 2015 was entered into by the controlling shareholders in favour of the Company (for itself and as trustee for its subsidiaries), details of which are set out in the section headed "Relationship with our Controlling Shareholders" of the prospectus of the Company dated 25 June 2015. The Directors are of the view that the controlling shareholders have been in compliance with the deed of non-competition during the 2024 Interim Period.

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 D.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 results of the Group for the six months ended 30 June 2024 contained in this announcement has also been reviewed and passed by the Audit Committee, but the financial information contained in this announcement has not been audited by the auditor of the Company.

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix C3 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 six months ended 30 June 2024.

UPDATE ON DIRECTORS' INFORMATION

The update on Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Mr. Ho Kwok Wah, George, an independent non-executive Director of the Company, has resigned as an independent non-executive Director of Town Health International Medical Group Limited (a company whose shares are listed on the Stock Exchange, stock code: 3886) with effect from 1 January 2024.

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 (including treasury shares, as defined under the Listing Rules) throughout the six months ended 30 June 2024. During the six months ended 30 June 2024, the Company did not hold any treasury shares and did not sell any treasury shares.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2024 containing all the information required by the Listing Rules will be issued by the Company and made available for review on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.purapharm.com in due course.

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

Hong Kong, 28 August 2024

As at the date of this announcement, the executive Directors of the Company are Mr. Chan Yu Ling, Abraham and Ms. Man Yee Wai, Viola, the non-executive Director of the Company is Mr. Leung Stephen Kwok Keung; and the independent non-executive Directors of the Company are Mr. Ho Kwok Wah, George, Dr. Leung Lim Kin, Simon and Prof. Tsui Lap Chee.