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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)**

**ANNOUNCEMENT OF FINAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2021  
AND  
PROPOSED AMENDMENTS  
TO THE ARTICLES OF ASSOCIATION**

**FINANCIAL HIGHLIGHTS**

	Year ended 31 December					
	2021 HK\$'000	% of total	2020 HK\$'000	% of total	Change HK\$'000	%
Revenue						
— China CCMG	<b>352,996</b>	<b>53.5%</b>	278,478	46.3%	74,518	26.8%
— Hong Kong CCMG	<b>162,740</b>	<b>24.7%</b>	146,433	24.3%	16,307	11.1%
— Chinese healthcare products	<b>78,098</b>	<b>11.8%</b>	85,752	14.2%	(7,654)	-8.9%
— Nong's ® (農本方)						
Chinese medicine clinics	<b>50,027</b>	<b>7.6%</b>	49,924	8.3%	103	0.2%
— Plantation	<b>15,731</b>	<b>2.4%</b>	41,228	6.9%	(25,497)	-61.8%
	<b><u>659,592</u></b>	<b><u>100.0%</u></b>	<b><u>601,815</u></b>	<b><u>100.0%</u></b>	<b><u>57,777</u></b>	<b><u>9.6%</u></b>
Gross profit	<b>423,353</b>		369,949		53,404	14.4%
Net (loss)/profit for the year	<b>(121,877)</b>		31,710			

The board (the “**Board**”) of directors (the “**Directors**”) of PuraPharm Corporation Limited (the “**Company**”) is pleased to present the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021 (the “**Reporting Period**”) with the comparative audited figures as at 31 December 2020 as follows.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
REVENUE	5(a)	659,592	601,815
Cost of sales		<u>(236,239)</u>	<u>(231,866)</u>
Gross profit		423,353	369,949
Other income and gains	5(b)	12,502	94,727
Selling and distribution expenses		(220,006)	(210,539)
Administrative expenses		(168,451)	(153,457)
Impairment loss on property, plant and equipment		—	(229)
Impairment loss on goodwill		(67,346)	—
Impairment loss on financial assets, net		(17,278)	(10,831)
Other expenses		(52,939)	(22,573)
Finance costs		<u>(27,027)</u>	<u>(26,830)</u>
(LOSS)/PROFIT BEFORE TAX	6	(117,192)	40,217
Income tax expense	7	<u>(4,685)</u>	<u>(8,507)</u>
(LOSS)/PROFIT FOR THE YEAR		<u><u>(121,877)</u></u>	<u><u>31,710</u></u>
Attributable to:			
Owners of the parent		(121,877)	31,710
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic			
— For (loss)/profit for the year (expressed in HK cents per share)		<u><u>(30.95)</u></u>	<u><u>8.55</u></u>
Diluted			
— For (loss)/profit for the year (expressed in HK cents per share)		<u><u>(30.95)</u></u>	<u><u>8.54</u></u>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(LOSS)/PROFIT FOR THE YEAR	<u><u>(121,877)</u></u>	<u><u>31,710</u></u>
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	<u>8,273</u>	<u>14,136</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>8,273</u>	<u>14,136</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	<u><u>(113,604)</u></u>	<u><u>45,846</u></u>
Attributable to:		
Owners of the parent	<u><u>(113,604)</u></u>	<u><u>45,846</u></u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>344,114</b>	322,839
Investment properties		<b>6,560</b>	7,568
Right-of-use assets		<b>116,901</b>	136,513
Goodwill		<b>20,993</b>	88,339
Other intangible assets		<b>41,062</b>	42,920
Financial assets at fair value through profit or loss		<b>18,562</b>	18,258
Biological assets		<b>31,048</b>	95,084
Prepayments for non-current assets		<b>5,283</b>	44,087
Deferred tax assets		<b>10,483</b>	11,291
		<hr/>	<hr/>
Total non-current assets		<b>595,006</b>	766,899
<b>CURRENT ASSETS</b>			
Inventories		<b>166,039</b>	180,124
Biological assets		<b>33,759</b>	10,026
Trade and bills receivables	<i>11</i>	<b>261,406</b>	221,528
Prepayments, other receivables and other assets		<b>62,351</b>	68,637
Tax recoverable		<b>2,248</b>	906
Pledged deposits		<b>25,383</b>	35,056
Cash and cash equivalents		<b>59,671</b>	91,401
		<hr/>	<hr/>
Total current assets		<b>610,857</b>	607,678
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>12</i>	<b>140,679</b>	159,344
Other payables and accruals		<b>97,811</b>	110,318
Interest-bearing bank and other borrowings	<i>13</i>	<b>407,671</b>	279,329
Lease liabilities		<b>13,239</b>	31,402
Amount due to a related company		<b>—</b>	5,900
Tax payable		<b>3,578</b>	2,845
Government grants		<b>2,336</b>	2,749
		<hr/>	<hr/>
Total current liabilities		<b>665,314</b>	591,887
		<hr/>	<hr/>
NET CURRENT (LIABILITIES)/ASSETS		<b>(54,457)</b>	15,791
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>540,549</b>	782,690
		<hr/>	<hr/>

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Other payables and accruals		<b>24,157</b>	50,564
Interest-bearing bank and other borrowings	<i>13</i>	<b>91,997</b>	178,992
Lease liabilities		<b>19,052</b>	34,388
Government grants		<b>1,174</b>	3,853
Deferred tax liabilities		<b>2,611</b>	3,235
		<hr/>	<hr/>
Total non-current liabilities		<b>138,991</b>	271,032
		<hr/>	<hr/>
Net assets		<b>401,558</b>	511,658
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	<i>14</i>	<b>306,042</b>	306,042
Shares held for share award scheme		<b>(3,221)</b>	(6,258)
Reserves		<b>98,737</b>	211,874
		<hr/>	<hr/>
Total equity		<b>401,558</b>	511,658
		<hr/> <hr/>	<hr/> <hr/>

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss)/profit before tax		<b>(117,192)</b>	40,217
Adjustments for:			
Finance costs		<b>27,027</b>	26,830
Bank interest income	5	<b>(360)</b>	(456)
Foreign exchange gain, net	6	<b>(711)</b>	(3,996)
Loss on disposal of property, plant and equipment	6	<b>6</b>	2,109
Equity-settled share award and share option expenses		<b>3,504</b>	5,641
Covid-19-related rent concessions from lessors		<b>(106)</b>	(1,970)
Depreciation of property, plant and equipment	6	<b>22,660</b>	21,244
Depreciation of right-of-use assets	6	<b>22,278</b>	22,116
Amortisation of intangible assets	6	<b>5,201</b>	4,266
Fair value loss on investment properties	6	<b>1,197</b>	464
Fair value gain on financial assets at fair value through profit or loss	6	<b>(304)</b>	(63)
Fair value loss/(gain) on biological assets	6	<b>47,459</b>	(20,800)
Gain on disposal of right-of-use assets	6	<b>(190)</b>	—
Impairment loss on property, plant and equipment	6	<b>—</b>	229
Impairment loss on goodwill	6	<b>67,346</b>	—
Write-down of inventories to net realisable value	6	<b>8,115</b>	2,738
Impairment loss on trade and bills receivables	6	<b>17,278</b>	10,831
		<b>103,208</b>	109,400

	<b>2021</b>	2020
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Decrease in inventories	<b>35,475</b>	39,451
Increase in biological assets	<b>(30,797)</b>	(28,109)
(Increase)/decrease in trade and bills receivables	<b>(51,190)</b>	10,679
Decrease/(increase) in prepayments, deposits and other receivables	<b>7,258</b>	(2,716)
Decrease in trade and bills payables	<b>(22,563)</b>	(29,621)
(Decrease)/increase in government grants	<b>(3,222)</b>	2,521
(Decrease)/increase in other payables and accruals	<b>(42,302)</b>	28,001
Decrease in amount due to related companies	<b>(5,900)</b>	—
	<hr/>	<hr/>
Cash (used in)/generated from operations	<b>(10,033)</b>	129,606
Interest received	<b>360</b>	456
Hong Kong profits tax paid	<b>(2,831)</b>	(4,954)
Overseas profits tax paid	<b>(442)</b>	(1,857)
PRC profit taxes paid	<b>(1,574)</b>	(3,397)
	<hr/>	<hr/>
Net cash flows (used in)/generated from operating activities	<b>(14,520)</b>	119,854
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	<b>(3,093)</b>	(76,047)
Proceeds from disposal of property, plant and equipment	<b>2,891</b>	677
Additions to intangible assets	<b>(3,466)</b>	(6,799)
Decrease/(increase) in pledged time deposits, net	<b>9,673</b>	(9,941)
	<hr/>	<hr/>
Net cash flows generated from/(used in) investing activities	<b>6,005</b>	(92,110)
	<hr/>	<hr/>

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank loans and other borrowings		<b>374,882</b>	407,188
Repayment of bank loans and other borrowings		<b>(330,211)</b>	(424,775)
Share issue expenses	<i>14</i>	—	(7,257)
Proceeds from issue of shares	<i>14</i>	—	105,305
Loans paid to a director		—	(15,000)
Principal portion of lease payments		<b>(33,679)</b>	(35,902)
Interest paid for lease liabilities		<b>(2,220)</b>	(4,528)
Interest paid for bank and other borrowings		<b>(24,807)</b>	(28,644)
		<hr/>	<hr/>
Net cash flows used in financing activities		<b>(16,035)</b>	(3,613)
		<hr/>	<hr/>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		<b>(24,550)</b>	24,131
Cash and cash equivalents at beginning of year		<b>75,810</b>	50,429
Effect of foreign exchange rate changes, net		<b>6,248</b>	1,250
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
		<b>57,508</b>	75,810
		<hr/> <hr/>	<hr/> <hr/>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		<b>59,671</b>	91,401
Bank overdrafts		<b>(2,163)</b>	(15,591)
		<hr/>	<hr/>
Cash and cash equivalents as stated in the statement of cash flows		<b>57,508</b>	75,810
		<hr/> <hr/>	<hr/> <hr/>



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE AND GROUP INFORMATION

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 year, the Company and its subsidiaries (the “**Group**”) have been principally engaged in the research and development, production and sale of concentrated Chinese medicine granule (“**CCMG**”) products and Chinese healthcare products, plantation and trading of raw Chinese herbs, and manufacture and sale 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 (the “**Board**”) of directors (the “**Directors**”), the ultimate holding company of the Company is Fullgold Development Limited, which was incorporated in the British Virgin Islands (the “**BVI**”) and is wholly owned by Mr. Chan Yu Ling, Abraham (“**Mr. Abraham Chan**”), the founder of the Group.

## 2 BASIS OF PREPARATION

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

As at 31 December 2021, the Group had net current liabilities of HK\$54.5 million (31 December 2020: net current assets of HK\$15.8 million). 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 Group implemented or is in the process of implementing the following measures:

- (a) The Group continues to restructure the mix of products with the aim to increase the portion of products with higher margin so as to attain profitable and positive cash flow operations;
- (b) The Group is taking measures to tighten cost controls over administrative and other operating expenses aiming at improving the working capital and cash flow position of the Group; and

- (c) As at 31 December 2021, the Group had unutilised bank facilities amounting to HK\$67.7 million, which could be utilised to repay the total principal and interest due upon the respective repayment dates. Based on the past experience and maturity of the aforesaid facilities, the directors consider it is highly probable that the Group can withdraw adequate amount of short-term bank loans for another year to maintain sufficient working capital of the Group.

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 consolidated financial statements of the Group for the year ended 31 December 2021 on a going concern basis.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

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

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

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

### 3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The application of these amended and revised HKFRSs 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 the consolidated financial statements.

### 3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework<sup>1</sup></i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
HKFRS 17	<i>Insurance Contracts<sup>2</sup></i>
Amendments to HKFRS 17	<i>Insurance Contracts<sup>2, 5</sup></i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current<sup>2, 4</sup></i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies<sup>2</sup></i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates<sup>2</sup></i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction<sup>2</sup></i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use<sup>1</sup></i>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract<sup>1</sup></i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41<sup>1</sup></i>

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2022
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2023
- <sup>3</sup> No mandatory effective date yet determined but available for adoption
- <sup>4</sup> As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
- <sup>5</sup> As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Group's 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 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 the 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 after tax except interest income, net foreign exchange gain/(loss), equity-settled share award and share option expenses, finance costs (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 years ended 31 December 2021 and 2020.

### 31 December 2021

	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
<b>Segment revenue (note 5):</b>							
External customers	352,996	162,740	78,098	50,027	15,731	—	659,592
Intersegment sales	98,052	7,900	996	—	29,097	(136,045)	—
	<u>451,048</u>	<u>170,640</u>	<u>79,094</u>	<u>50,027</u>	<u>44,828</u>	<u>(136,045)</u>	<u>659,592</u>
<b>Segment results</b>	61,931	41,083	9,288	(8,044)	(141,870)	—	(37,612)
<i>Reconciliations:</i>							
Interest income							360
Foreign exchange gain, net							711
Equity-settled share award and share option expenses							(3,504)
Finance costs (other than interest on lease liabilities)							(24,807)
Corporate and other unallocated expenses							(52,340)
Loss before tax							(117,192)
Income tax expense							(4,685)
<b>Net Loss</b>							<u>(121,877)</u>
<b>Other segment information:</b>							
Depreciation and amortisation of property, plant and equipment and other intangible asset	14,010	2,791	4,393	861	5,806	—	27,861
Depreciation of right-of-use asset	7,290	1,155	5,626	6,269	1,938	—	22,278
Loss on disposal of items of property, plant and equipment	—	—	6	—	—	—	6
Write-down of inventories to net realisable value	2,259	570	606	—	4,680	—	8,115
Impairment loss on trade and bills receivables, net	12,590	(282)	88	—	4,882	—	17,278
Government grants	5,992	—	133	77	1,913	—	8,115
Capital expenditure*	<u>40,898</u>	<u>1,306</u>	<u>1,824</u>	<u>8,480</u>	<u>2,006</u>	<u>—</u>	<u>54,514</u>

### 31 December 2020

	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
<b>Segment revenue (note 5):</b>							
External customers	278,478	146,433	85,752	49,924	41,228	—	601,815
Intersegment sales	72,050	7,901	1,261	—	2,588	(83,800)	—
	<u>350,528</u>	<u>154,334</u>	<u>87,013</u>	<u>49,924</u>	<u>43,816</u>	<u>(83,800)</u>	<u>601,815</u>
<b>Segment results</b>	29,366	32,815	13,527	(3,232)	38,993	—	111,469
<i>Reconciliations:</i>							
Interest income							456
Foreign exchange gain, net							3,996
Equity-settled share award and share option expenses							(5,641)
Finance costs (other than interest on lease liabilities)							(22,302)
Corporate and other unallocated expenses							<u>(47,761)</u>
Profit before tax							40,217
Income tax expense							<u>(8,507)</u>
<b>Net Profit</b>							<u><u>31,710</u></u>
<b>Other segment information:</b>							
Depreciation and amortisation of property, plant and equipment and other intangible asset	11,127	2,771	4,058	2,511	5,043	—	25,510
Depreciation of right-of-use asset	7,968	1,155	5,443	5,390	2,160	—	22,116
Loss on disposal of items of property, plant and equipment	1,389	173	161	386	—	—	2,109
Write-down of inventories to net realisable value	1,779	296	663	—	—	—	2,738
Impairment loss on property, plant and equipment	229	—	—	—	—	—	229
Impairment loss on trade and bills receivables, net	8,170	(105)	(28)	—	2,794	—	10,831
Government grants	20,048	1,811	1,112	3,608	39,220	—	65,799
Capital expenditure*	<u>74,752</u>	<u>10,451</u>	<u>28,742</u>	<u>10,455</u>	<u>6,130</u>	<u>—</u>	<u>130,530</u>

\* Capital Expenditure consists of additions of property, plant and equipment, investment properties, right-of-use assets and other intangible assets including assets from the acquisition of subsidiary.

## 5. REVENUE, OTHER INCOME AND GAINS

### (a) REVENUE

An analysis of revenue is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<i>Revenue from contracts with customers</i>		
Sale of CCMG products	552,512	462,284
Sale of Chinese healthcare products	78,098	85,752
Sale of raw Chinese herbs	15,731	41,228
Rendering of Diagnostic Services	13,251	12,551
	<u>659,592</u>	<u>601,815</u>

### Revenue from contracts with customers

#### (i) Disaggregated revenue information

	For the year ended 31 December					
	2021			2020		
	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>
<b>Segments</b>						
<b>Types of goods or services</b>						
Sale of goods	646,341	—	646,341	589,264	—	589,264
Rendering of services	—	13,251	13,251	—	12,551	12,551
Total revenue from contracts with customers	<u>646,341</u>	<u>13,251</u>	<u>659,592</u>	<u>589,264</u>	<u>12,551</u>	<u>601,815</u>
<b>Geographical markets</b>						
Hong Kong	229,681	12,796	242,477	215,853	12,069	227,922
Mainland China	373,634	455	374,089	322,857	482	323,339
Other countries/regions	43,026	—	43,026	50,554	—	50,554
Total revenue from contracts with customers	<u>646,341</u>	<u>13,251</u>	<u>659,592</u>	<u>589,264</u>	<u>12,551</u>	<u>601,815</u>
<b>Timing of revenue recognition</b>						
Goods transferred at a point in time	646,341	—	646,341	589,264	—	589,264
Services transferred over time	—	13,251	13,251	—	12,551	12,551
Total revenue from contracts with customers	<u>646,341</u>	<u>13,251</u>	<u>659,592</u>	<u>589,264</u>	<u>12,551</u>	<u>601,815</u>

**(b) OTHER INCOME AND GAINS**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Fair value gain on biological assets, net	—	20,800
Foreign exchange gain, net	711	3,996
Government grants*	8,115	65,799
Gain from the sale of equipment and accessories	1,552	1,054
Bank interest income	360	456
Gross rental income from investment property operating leases:		
Variable lease payments that do not depend on an index or a rate	510	358
Others	1,254	2,264
	<u>12,502</u>	<u>94,727</u>

\* 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. Hong Kong subsidies to support enterprise affected by Covid-19 epidemic.



## 6. (LOSS)/PROFIT BEFORE TAX

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

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
Cost of inventories sold		<b>229,844</b>	225,396
Cost of services provided		<b>6,395</b>	6,470
Depreciation of property, plant and equipment		<b>22,660</b>	21,244
Depreciation of right-of-use assets		<b>22,278</b>	22,116
Amortisation of intangible assets		<b>5,201</b>	4,266
Fair value loss on investment properties*		<b>1,197</b>	464
Fair value gain on financial assets at fair value through profit or loss*		<b>(304)</b>	(63)
Fair value loss/(gain) on biological assets, net*		<b>47,459</b>	(20,800)
Impairment loss on property, plant and equipment		—	229
Gain on disposal of right-of-use assets		<b>(190)</b>	—
Impairment loss on goodwill		<b>67,346</b>	—
Write-down of inventories to net realisable value**		<b>8,115</b>	2,738
Impairment loss on trade and bills receivables	<i>11</i>	<b>17,278</b>	10,831
Litigation claims		—	11,740
Lease payments not included in the measurement of lease liabilities		<b>6,039</b>	4,457
Auditors' remuneration		<b>2,758</b>	3,440
Employee benefit expense (excluding directors' remuneration):			
Wages and salaries		<b>80,628</b>	78,455
Pension scheme contributions (defined contribution scheme)****		<b>8,964</b>	8,726
Equity-settled share award and share option expenses		<b>562</b>	608
		<b>90,154</b>	87,789
Research and development costs***		<b>25,452</b>	22,038
Loss on disposal of property, plant and equipment*		<b>6</b>	2,109
Foreign exchange gain, net*		<b>(711)</b>	(3,996)

\* Fair value gain on financial assets at fair value through profit or loss and biological asset was included in "Other income and gain" in the consolidated statement of profit or loss for the year ended 31 December 2021 and 2020. The fair value loss on investment properties, financial asset at fair value through profit or loss, and biological asset, loss on disposal of property, plant and equipment were included in "Other expense" in the consolidated statement of profit or loss for the years ended 31 December 2021 and 2020.

\*\* The write-down of inventories to net realisable value was included in the "Cost of sales" in the consolidated statement of profit or loss for the years ended 31 December 2021 and 2020.

\*\*\* HK\$1,502,000 (2020: HK\$1,260,000) disclosed in the item of "Depreciation" and HK\$6,457,000 (2020: HK\$6,428,000) disclosed in the item of "Employee benefit expense" were also included in "Research and development costs".

\*\*\*\* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

## 7. INCOME TAX

The Group is subject to income tax on an entity basis on (loss)/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% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, 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 24% (2020: 24%) and 23.2% (2020: 23.2%) on the estimated assessable profits arising in U.S. and Japan, respectively, during the years ended 31 December 2021 and 2020. 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%.

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., Guizhou Jinping Gold Sparkle Chinese Medicine Co., Ltd. and Gold Sparkle (Guizhou) HZ Plantation Co., Ltd. have obtained the documentation acknowledged by the tax authority in charge for the Company income tax exemption for year 2021 and the preferential income tax rate was 0%.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current	4,263	6,339
Deferred	422	2,168
Total tax charge for the year	<u>4,685</u>	<u>8,507</u>

## 8. DIVIDEND

No dividend was proposed for the years ended 31 December 2021 and 2020.

**9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT**

**(a) Basic**

Basic (loss)/earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the year ended 31 December 2021 excluding ordinary shares purchased by the Group and held for the Award Scheme.

	<b>2021</b>	2020
(Loss)/profit attributable to ordinary equity holders of the parent ( <i>HK\$'000</i> )	<b>(121,877)</b>	31,710
Weighted average number of ordinary shares in issue	<b><u>393,732,673</u></b>	<u>370,845,654</u>
Basic (loss)/earnings per share (expressed in HK cents per share)	<b><u>(30.95)</u></b>	<u>8.55</u>

The calculation of the weighted average number of ordinary shares amounting to 393,732,673 (2020: 370,845,654) in issue for the year ended 31 December 2021 is as follows:

	<i>Notes</i>	<b>2021</b>	2020
Number of issued shares on 1 January	<i>14</i>	<b>263,261,961</b>	263,261,961
Adjustment for shares held for share award scheme		<b>(1,160,268)</b>	(2,048,685)
Effect of right issue on 2 March 2020	<i>14</i>	<b><u>131,630,980</u></b>	<u>109,632,378</u>
Weighted average number of ordinary shares		<b><u>393,732,673</u></b>	<u>370,845,654</u>

**(b) Diluted**

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

	2021	2020
(Loss)/profit attributable to the ordinary equity holders of the parent ( <i>HK\$'000</i> )	<u>(121,877)</u>	<u>31,710</u>
Weighted average number of ordinary shares in issue during the year	<b>393,732,673</b>	370,845,654
Adjustment for Award Shares*	<u>—</u>	<u>567,685</u>
Weighted average number of ordinary shares for diluted earnings per share calculation	<u><b>393,732,673</b></u>	<u>371,413,339</u>
Diluted (loss)/earnings per share (expressed in HK cents per share)	<u><b>(30.95)</b></u>	<u>8.54</u>

\* Because the diluted loss per share amount is increased when taking the Award Shares into account, the Award Shares had an anti-dilutive effect on the basic loss per share during the year ended 31 December 2021 and were ignored in the calculation of diluted loss per share during the year ended 31 December 2021.

The Group also had no potentially dilutive ordinary shares in issue for share options during the year ended 31 December 2021 as its exercise price is higher than the market price of the Group's shares as at the end of the reporting period.

## 11. TRADE AND BILLS RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	269,569	230,702
Bills receivable	35,689	17,590
	<u>305,258</u>	<u>248,292</u>
Less: Impairment of trade and bills receivables	<u>(43,852)</u>	<u>(26,764)</u>
	<u><b>261,406</b></u>	<u><b>221,528</b></u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payments 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. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables as at 31 December 2021 and 2020, based on the invoice date and net of loss allowance, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	93,694	51,898
1 to 3 months	54,780	58,716
3 to 6 months	63,800	44,515
6 months to 1 year	39,417	41,117
Over 1 year	9,715	25,282
	<u><b>261,406</b></u>	<u><b>221,528</b></u>

## 12. TRADE AND BILLS PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	116,189	122,978
Bills payables	<u>24,490</u>	<u>36,366</u>
	<u><b>140,679</b></u>	<u><b>159,344</b></u>

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	49,163	33,220
1 to 2 months	14,364	20,615
2 to 3 months	11,139	3,429
Over 3 months	<u>66,013</u>	<u>102,080</u>
	<u><b>140,679</b></u>	<u><b>159,344</b></u>

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.

### 13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2021			2020		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
<b>Current</b>						
Bank overdraft — secured (a)	4.25–5.25	On demand	2,163	1.85–5.25	On demand	15,591
Bank loans — secured	2.25–7.00	On demand	102,844	2.25–5.27	On demand	50,179
Bank loans and other borrowings- secured (a)	0.85–8.00	2022	200,596	0.85–9.00	2021	124,787
Bank loans — unsecured (a)	4.50	On demand	56,445	2.80–4.91	On demand	20,735
Bank loans — unsecured	4.35–5.66	2022	34,619	4.50–6.18	2021	57,537
Other borrowings — unsecured	11.08	2022	11,004	8.50	2021	10,500
			<u>407,671</u>			<u>279,329</u>
<b>Non-current</b>						
Bank loans and other borrowings — secured	0.85–5.73	2023–2030	66,595	0.85–8.00	2022–2030	86,754
Bank loans — unsecured	—	—	—	4.50–6.18	2022–2027	60,902
Other borrowings — unsecured	10.00–11.08	2023	25,402	7.00–10.00	2022–2023	31,336
			<u>91,997</u>			<u>178,992</u>
			<u>499,668</u>			<u>458,321</u>
				<b>2021</b>	<b>2020</b>	
				<b>HK\$'000</b>	<b>HK\$'000</b>	
Analysed into:						
Bank loans and other borrowings repayable:						
Within one year or on demand			<b>407,671</b>			279,329
In the second year			<b>34,923</b>			20,555
In the third to fifth years, inclusive			<b>28,563</b>			103,070
Beyond five years			<b>28,511</b>			55,367
			<u>499,668</u>			<u>458,321</u>

Interest-bearing bank and other borrowings are denominated in:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
HK\$	122,327	107,872
RMB	373,805	338,837
JPY	3,536	4,480
US\$	—	7,132
	<u>499,668</u>	<u>458,321</u>

- (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\$177,901,000 (2020: HK\$86,505,000) include a repayment on demand clause under the relevant loan agreements, among which a balance of HK\$50,537,000 (2020: HK\$13,548,000) that is repayable after one year from the end of 2021 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 31 December 2021, the Group was not in compliance with certain loan covenants as stipulated in the agreements of the bank loans amounting to approximately HK\$124,068,000. Bank loans amounting to HK\$53,527,000, out of the HK\$124,068,000, are repayable on demand or within 12 months and have already been accounted for as current liabilities as mentioned in note 13(a); and the remaining balance of HK\$70,541,000 which are repayable beyond 12 months, have already been accounted for as current liabilities. Waivers for the breach of these covenants of the loans amounting to HK\$49,794,000 have been obtained subsequent to the financial statements date.

As at 31 December 2020, the Group’s bank loans amounting to approximately HK\$42,873,000 were not in compliance with certain financial loan covenants. No further reclassification is needed regarding these bank loans would become mature within 12 months and included a repayable on demand clause as mentioned above in 13(a) which have already been classified as current liabilities.



- (c) As at 31 December 2021, the Group's facilities of bank and other borrowings amounted to HK\$567,400,000 (2020: HK\$519,809,000), of which HK\$499,668,000 (2020: HK\$458,321,000) had been utilised.
- (d) The following assets were pledged as securities for interest-bearing bank borrowings:

	<i>Notes</i>	<b>Carrying value</b>	
		<b>2021</b>	<b>2020</b>
		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Property, plant and equipment		<b>158,870</b>	142,575
Right-of-use assets		<b>37,826</b>	33,588
Financial assets at fair value through profit or loss		<b>18,562</b>	18,258
Inventories		<b>42,858</b>	41,717
Trade and bills receivables	<i>11</i>	<b>54,775</b>	34,124
Pledged bank deposits		<b>25,383</b>	35,056
Investment Property		<b>6,560</b>	—
		<b><u>344,834</u></b>	<b><u>305,318</u></b>

- (e) As at 31 December 2021, the Group's bank loans of HK\$53,833,000 were under the SME Financing Guarantee Scheme (the "**Scheme**"), and the relevant balances were guaranteed by the Government of Hong Kong Special Administrative Region and a personal guarantee by Mr. Abraham Chan, as required under the Scheme

## 14. SHARE CAPITAL

### Shares

	<b>2021</b>
	<b><i>HK\$'000</i></b>
Authorised:	
50,000,000,000 ordinary shares of US\$0.1 (HK\$0.775) each	<b><u>38,750,000</u></b>
Issued and fully paid:	
394,892,941 ordinary shares of US\$0.1 (HK\$0.775) each	<b><u>306,042</u></b>
	<b>2020</b>
	<b><i>HK\$'000</i></b>
Authorised:	
50,000,000,000 ordinary shares of US\$0.1 (HK\$0.775) each	<b><u>38,750,000</u></b>
Issued and fully paid:	
394,892,941 ordinary shares of US\$0.1 (HK\$0.775) each	<b><u>306,042</u></b>

A summary of movements in the Company's share capital and share premium account are as follows:

	2020			
	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 2020	263,261,961	204,028	224,484	428,512
Effect of right issue on 2 March 2020 <i>(note a)</i>	131,630,980	102,014	3,291	105,305
Share issue expenses	—	—	(7,257)	(7,257)
Transfer of vested shares under Share Award Scheme	—	—	140	140
At 31 December 2020	<u>394,892,941</u>	<u>306,042</u>	<u>220,658</u>	<u>526,700</u>
	2021			
	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 2021	<u>394,892,941</u>	<u>306,042</u>	<u>220,658</u>	<u>526,700</u>
Transfer of vested shares under Share Award Scheme	—	—	531	531
At 31 December 2021	<u>394,892,941</u>	<u>306,042</u>	<u>221,189</u>	<u>527,231</u>

- (a) 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 existing 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.

## 15. CONTINGENT LIABILITIES

There were no material contingent liabilities of the Group as at 31 December 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PROSPECTS

The COVID-19 pandemic continues to rock the global economy. Following the shutdowns of 2020, 2021 continued to be a challenging year for most industries. The recent 5th outbreak involving the Omicron variant in Hong Kong has greatly impacted local businesses and the economy, and the ongoing armed conflict in Eastern Europe is further dampening the already weak business sentiment because of fear of inflation. It is anticipated the remainder of 2022 will be a year of uncertainties and challenges for Hong Kong as well as the rest of the world.

The loss for the year was mainly attributable to the two significant impairments on biological assets and goodwill of the Group's Guizhou plantation business, which are non-recurring and non-cash in nature. As an initiative to transform the plantation business in Guizhou, the Group installed a new management team there in 2021. The Group will continue the transformation of the plantation business model and strategy, and target to achieve a segment profitability within the year.

Another factor that impacted the Group's performance in 2021 was attributable to the reduction in government grants received from both the PRC and the Hong Kong governments. Despite the attributable losses, the Group's continuing efforts in adopting a stringent cost control policy and improving our operations efficiency had led to a narrowing of our operating loss position in 2021.

Notwithstanding the special times we are experiencing, the Group believes that the economy will return gradually to a sustainable and stable state with an improved vaccination rate and effective social distancing measures put in place by the Government. With the increasing acceptance of Chinese medicine in fighting against COVID, and an increasing demand in boosting one's immunity, the pharmaceutical industry, and particularly Chinese medicine, will continue to be one of the most important sectors of the national economy and will continue to benefit from upcoming policies.

The great observation learned from the pandemic is that the global citizen's awareness of healthcare, well-being and sanitary protection has largely increased. This trend accords to our long-held mission to provide more quality healthcare products that consumers can purchase from our online and offline platforms.

Last year, the Chinese National Medical Products Administration ("NMPA") announced the ending of the provisional testing manufacturing sites for concentrated Chinese medicine granules ("CCMG"), of which we were one of the 5 participants. In October 2021, the NMPA published 196 CCMG national standards, restricting only products that comply with the published standards be sold in China. This limited range of products allowable for

sale will likely impact normal CCMG sales for our Group in China in 2022, and until the full range of CCMG national standards are published, regular CCMG sales may continue to be disrupted. As we work towards meeting the national standards for all our products, the Group will continue to monitor our financial and cash position to address such impact. It is anticipated that the CCMG market will be progressively opened as the full CCMG national standards are being published. Competition is anticipated to be fierce with keen price competition as more players will enter the market if they can fulfill the requirements of the national standards. However, the Group sees the opening of the market as both an opportunity rather than just a threat. With the Group's strategy of positioning our Nong's CCMG as a premium brand and targeting towards the upscale segment, we envisage that the deregulation of the CCMG market will unleash the demand for CCMG products thus growing the overall market.

Since the pandemic outbreak, the Group has been putting efforts on establishing a new customer-friendly online platform and mobile app, which will further be linked to our cloud-based data center to create and store the growing digital assets. In this regard, the Group's full chain of Nong's® Chinese medicine clinics launched the 3rd generation cloud-based Chinese Medicine Clinic Management system, the Traditional Chinese Medicine Advisor (TCMA 3.0), offering instant database synchronization and real time patients' information accessibility, resulting in more timely, more convenient, and more accessible Chinese medicine diagnosis and treatment services. The cloud-based consultation and management system is interfaced with a consultation analytics platform enabling evidence-based research and big data analytics of Chinese medicine consultations and prescriptions, providing a brand-new experience to traditional Chinese medicine practitioners and patients. In addition, the Group will continue to transform our online retailing business to cater for the younger generation with extensive social marketing initiatives. It is intended that the optimization of the digitalization of the retail business will result in a boost to our revenue and create more value for our shareholders.

The Group is setting up an office in the Greater Bay Area (Guangdong Province of Mainland China and Macau) and will initiate business activities in the region, where the young and tech-savvy talents are mostly populated. The new generation of imported talents, the efficient government system and favourable policies in recent years greatly contributed to the robust economy and fast-growing consuming power of the Greater Bay Area (“GBA”). With the GBA neighboring Hong Kong geographically, the psychographics of the populations of both locations share a lot in common. The Group believes the GBA offer important new opportunities for the Group to seize and to develop. The Group are actively looking for local partners in the GBA to formulate viable business plans and solutions to establish its presence in the market.

## FINANCIAL REVIEW

### Sales performance by segment

	Year ended 31 December					
	2021 HK\$'000	% of total	2020 HK\$'000	% of total	Change HK\$'000	%
— China CCMG	352,996	53.5%	278,478	46.3%	74,518	26.8%
— Hong Kong CCMG	162,740	24.7%	146,433	24.3%	16,307	11.1%
— Chinese healthcare products	78,098	11.8%	85,752	14.2%	(7,654)	-8.9%
— Nong's ® (農本方)						
Chinese medicine clinics	50,027	7.6%	49,924	8.3%	103	0.2%
— Plantation	15,731	2.4%	41,228	6.9%	(25,497)	-61.8%
	<b>659,592</b>	<b>100.0%</b>	<b>601,815</b>	<b>100.0%</b>	<b>57,777</b>	<b>9.6%</b>
Gross profit	423,353		369,949		53,404	14.4%
Net profit/(loss) for the year	(121,877)		31,710			

### China CCMG

For the year ended 31 December 2021, the sales of CCMG in China was HK\$353.0 million, representing an increase of HK\$74.5 million or 26.8% compared to HK\$278.5 million in last year. Due to the combined effect of the control of COVID-19 pandemic since early 2021 and the announcement by PRC Government of the new national standards of CCMG, the customers tended to purchase more CCMG for consumption in 2021 as well as for future sales in the transition period in 2022. As a result, the China CCMG sales business benefited from such a surge in demand, especially in second half 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 year ended 31 December 2021, the direct sales of CCMG products in Hong Kong was HK\$162.7 million, representing an increase of HK\$16.3 million or 11.1% compared with last year. The control of COVID-19 pandemic since early 2021 contributed to an improvement to the overall business environment and resumed consumer activity in Hong Kong, this led to an increase in demand for CCMG products from the Group.

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

During the year ended 31 December 2021, the sales of CCMG products and provision of Chinese medical services from the Group's Nong's® (農本方®) Chinese medicine clinics was HK\$50.0 million in aggregate, representing a slight increase of HK\$0.1 million or 0.2% compared to HK\$49.9 million in last year. The revenue remained stable and was attributable to the resumption of consumer activity, offset by downsizing of the clinic network in Hong Kong. The number of clinics in operation in Hong Kong decreased from 30 as at 31 December 2020 to 25 as at 31 December 2021.

While the revenue of Nong's clinics segment remained stable, the loss attributed by Nong's clinics segment has increased during the year ended 31 December 2021 as the Group's Shanghai Clinic has recorded an operating loss as it has been in first full year of business operating and the closure of the Nanning Clinic, which led to one-off compensation to staff and write-off of fixed assets.

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 profitability in this segment as early as possible.

## **Chinese Healthcare Products**

### *Sales by regions*

	Year ended 31 December					
	2021		2020		Change	
	Revenue	% of total	Revenue	% of total	Change	
	HK\$'000		HK\$'000		HK\$'000	%
United States of America (the "U.S.A.")	31,537	40.4%	38,429	44.8%	(6,892)	-17.9%
Japan	9,428	12.1%	10,797	12.6%	(1,364)	-12.6%
Hong Kong	37,133	47.5%	36,526	42.6%	602	1.6%
	<u>78,098</u>	<u>100.0%</u>	<u>85,752</u>	<u>100.0%</u>	<u>(7,654)</u>	<u>-8.9%</u>

During the year ended 31 December 2021, revenue from sales of Chinese healthcare products in U.S.A., Japan and Hong Kong markets was HK\$78.1 million in aggregate, representing a decrease of HK\$7.7 million or 8.9% as compared to HK\$85.8 million in last year.

Among the Group's Chinese healthcare products segment, the sales in overseas market recorded a decrease in the U.S.A.. This was due to the severe outbreak of the COVID-19 pandemic that led to stringent social distancing measures in the U.S.A., which in turn impacted the supply chain for raw materials and factory labour supply. The sales in Hong Kong market remained stable as the COVID-19 pandemic has been under control since early 2021, which has driven the rebound of consumers' sentiment in general in pharmacies and key chain stores.

Subsequent to the outbreak of COVID-19 pandemic, the Group believed that consumers' health awareness will increase, which will contribute to the growth in demand for healthcare products and 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 for marketing the Group's healthcare products through online platform in order to prepare for the rebound of the retail market.

### ***Plantation***

For the year ended 31 December 2021, the upstream plantation segment contributed HK\$15.7 million to the Group's overall revenue, representing a decrease from HK\$41.2 million of last year by HK\$25.5 million or 61.9%. 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 to changes in management personnel, which caused a decrease in Chinese raw herbs trading business during the transition period.

During the year ended 31 December 2021, the Group has recognised a non-recurring impairment loss on biological assets of HK\$47.5 million due to the reduction of expected future output of raw Chinese herbs as a result of the lower level of soil fertility and sunlight as well as the changes in management personnel. The Group has also recorded a non-recurring impairment loss on goodwill of HK\$67.3 million because of the change in business plan and strategy in the plantation business, changes in management personnel of the plantation business and the aforementioned impairment loss of the Group's biological assets.

## Gross Profit

	Year ended 31 December		Change %
	2021 HK\$'000	2020 HK\$'000	
Revenue	659,592	601,815	-9.6%
Cost of sales	<u>236,239</u>	<u>231,866</u>	<u>-1.9%</u>
Gross Profit	<u><b>423,353</b></u>	<u><b>369,949</b></u>	<u><b>-14.4%</b></u>
Gross profit margin	<u><b>64.2%</b></u>	<u><b>61.5%</b></u>	

The Group's gross profit margin for the year ended 31 December 2021 was 64.2%, representing an increase of 2.7%, compared to 61.5% in last year. This is the result of the combined effect of the slight increase in the average selling price of CCMG in the PRC market, partly offset by the plantation segment's gross loss due to an one-off discount sales of certain aged inventory, while other business segments remained stable during the year ended 31 December 2021.

## Other income and gains

The Group's other income and gains mainly comprised of government grants, fair value gain on biological assets, net foreign exchange gain, gain from sale of equipment and accessories, financial assets at fair value through profit or loss and interest income. For the year ended 31 December 2021, the Group's other income and gain was HK\$12.5 million, representing a significant decrease of HK\$82.2 million compared to HK\$94.7 million in last year.

The decrease was mainly due to the receipt of non-recurring government grants of HK\$8.1 million recorded by the Group for the year ended 31 December 2021, representing a decrease of HK\$57.7 million compared to last year of HK\$65.8 million. The government grants were mainly consisted of the sum received from the relevant authorities of the PRC for the Group's finance costs subsidies, tax refund and grants for certain research and development projects.

The Group also recorded an impairment loss on biological assets of HK\$47.5 million under the plantation segment of the Group in Guizhou provinces, which is included in the Group's other expenses, as compared to a net fair value gain on biological assets of HK\$20.8 million in last year.



## **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 year ended 31 December 2021, the Group's selling and distribution expenses was HK\$220.0 million, representing an increase of HK\$9.5 million or 4.5% compared to HK\$210.5 million in last year. The increase was mainly attributable to (i) increase in marketing activities in China CCMG segment in line with the increase in sales and (ii) increase in staff cost due to the increase in bonus as associated with the sales boost in both China CCMG and Hong Kong CCMG segments.

For the year ended 31 December 2021, selling and distribution expenses as a percentage to revenue decreased from 35% for last year to 33.4%. Despite the increase in sales for the year ended 31 December 2021, the Group maintained a reasonable marketing expenses to keep the market awareness and brand competitiveness of the Group's products.

## **Administrative expenses**

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 year ended 31 December 2021, the Group's operating expenses for clinics segment was HK\$36.2 million, representing an increase of HK\$3.4 million or 10.4% compared to HK\$32.8 million in last year. The increase was mainly attributable to the entering of a new short-term lease and certain renewals of rental agreements.

The research and development costs for the year ended 31 December 2021 increased by HK\$3.4 million or 15.5%, mainly due to more research and development expenses were spent to meet the newly issued national standards for CCMG in China and resumption of certain development projects as COVID-19 pandemic is under control since early 2021.

The Group's general administrative expenses for the year ended 31 December 2021 increased by HK\$8.2 million or 8.3%, to HK\$106.8 million due to (i) increase in depreciation and amortization of the new production facilities in Nanning as being converted to fixed assets in 2020; (ii) additional urban land use tax and property tax of the new production facilities; and (iii) increase in legal and professional fees especially for the valuation fee of the biological assets.

## **Other expenses**

The Group's other expenses mainly comprised of an impairment loss on biological assets, voluntary charity donation, and fair value loss on investment properties. The increase in other expenses was mainly due to the impairment loss on biological assets of HK\$47.5 million recorded in the year ended 31 December 2021, while it was a net fair value gain on biological assets of HK\$20.8 million in last year.

## **Finance costs**

For the year ended 31 December 2021, the Group's finance costs amounted to HK\$27.0 million, slightly increased by HK\$0.2 million or 0.7% as compared to HK\$26.8 million in last year. The increase in interest cost was in line with the increase in average utilisation of bank and other borrowings during the year ended 31 December 2021.

## **Income tax expense**

The Group's income tax expenses decreased from HK\$8.5 million in last year to HK\$4.7 million for the year ended 31 December 2021. The decrease in income tax expense was mainly due to more tax losses from previous periods were utilized in China and decrease in income tax expenses in the Group's operations in the U.S.A. and Japan for the year ended 31 December 2021.

## **Loss for the year**

The Group recorded a net loss of HK\$121.9 million for the year ended 31 December 2021, as compared with the net profit of HK\$31.7 million in last year. The turnaround from net profit to net loss for the year ended 31 December 2021 is mainly attributable to the following factors:

- (i) an impairment loss on biological assets of HK\$47.5 million related to the Group's plantation segment recognised for the year ended 31 December 2021 as compared to a fair value gain on biological assets of HK\$20.8 million in last year;
- (ii) an impairment loss of goodwill of HK\$67.3 million in respect of the Group's plantation segment; and

- (iii) significant decrease in the receipt in non-recurring government grants of HK\$8.1 million recorded by the Group as other income and gains for the year ended 31 December 2021, representing a decrease of HK\$57.7 million compared to last year of HK\$65.8 million. The government grants were mainly consisted of the sum received from the relevant authorities of the PRC for the Group's finance costs subsidies, tax refund and grants for certain research and development projects.

The following table sets out the key financial figures of the Group in the first and second half of 2021:

	Year ended 31 December		Change	
	2021 2H HK\$'000	2021 1H HK\$'000	HK\$'000	%
Revenue	356,835	302,757	54,078	17.9%
Net (loss)/profit for the year	(133,851)	11,974	(145,825)	-1,217.8%
Government grants	1,680	6,435	(4,755)	-73.9%
Adjusted net operating (loss)/profit	(135,531)	5,539	(141,070)	-2,546.8%

## LIQUIDITY AND FINANCIAL RESOURCES

### Cash position and interest-bearing bank and other borrowings

The Group liquidity and financial resources position as follow:

	Year ended 31 December		Change	
	2021 HK\$'000	2020 HK\$'000	HK\$'000	%
Net current (liabilities)/assets	(54,457)	15,791	(84,277)	-534%
Cash and cash equivalent	59,671	91,401	(31,730)	-35%
Interest-bearing bank and other borrowings	(499,668)	(458,321)	(41,347)	9%
Current portion	(406,671)	(279,329)	(142,371)	51%
Non-current portion	(91,997)	(178,992)	101,024	-56%
Unused bank facilities	67,732	61,488	6,244	10%

The Group generally finances its operation with operating cash flows and bank and other borrowing facilities. The Group actively manages the cash and borrowings of the Group to ensure an appropriate level of liquidity and sufficient funds are available to meet the Group's business need.

## Cash flow and liquidity ratio analysis

	Year ended 31 December	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Net cash (used in)/generated from operating activities	<b>(14,520)</b>	119,854
Net cash generated from/(used in) investing activities	<b>6,005</b>	(92,110)
Net cash used in financing activities	<b>(16,035)</b>	(3,613)
Current ratio	<b>0.9</b>	1.0
Gearing ratio	<b>1.2</b>	0.9

For the year ended 31 December 2021, the Group's net cash used in operating activities was HK\$14.5 million, which was lower than last year by HK\$134.4 million. The decrease in operating cash inflow was mainly due to the increase in trade and bills receivables of China CCMG sales as a result of the sales surge in the second half of 2021 and increase in cash outflow for settlement of trade and bills payables for the raw material purchase for production.

For the year ended 31 December 2021, the Group's net cash generated from investing activities was HK\$6.0 million, which was mainly the combined effect of the decrease in pledged time deposit and the proceed from disposals of property, plant and equipment. The Group's net cash used in investing activities was HK\$92.1 million in last year due to significant constructions of new warehouse and research and development building in Nanning.

For the year ended 31 December 2021, the Group's net cash used in financing activities was HK\$16.0 million, representing an increase by HK\$12.4 million as compared to last year due to the combined effect of the net proceed of Rights Issue of HK\$98.0 million received in last year, which is partly offset by the net increase in bank loans and other borrowings by HK\$41.4 million during the year ended 31 December 2021.

The Group's current ratio decreased from 1.0 as at 31 December 2020 to 0.9 as at 31 December 2021, such decrease was mainly attributable to the increase in current portion of interest-bearing bank and other borrowing as the Group has reclassified certain long-term loans as short-term financing according to some accounting treatments. If excluded such reclassification, the Group's current ratio was 1.0 as at 31 December 2021.

The Group's gearing ratio (calculated by dividing total interest-bearing bank and other borrowings by total equity) increased from 0.9 as at 31 December 2020 to 1.2 as at 31 December 2021. Such increase was mainly attributable to (i) decrease in the Group's equity as a result of the net loss for the year ended 31 December 2021; and (ii) increase in the utilisation of interest-bearing bank and other borrowings during the year ended 31 December 2021.

In order to improve the current ratio and gearing ratio, the Group will consider to leverage on the equity financing. The Group will also strengthen the working capital management by closely monitoring the collection of trade and bills receivables and inventory level to increase the operating cash flow to lower the bank and other borrowings level.

## **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 any hedging transactions or instruments to hedge against the fluctuations in exchange rate between Renminbi and Hong Kong dollar. However, the Group monitors foreign exchange exposure regularly and considers if there is a need to hedge against significant foreign currency exposure when necessary.

## **HUMAN RESOURCES**

As at 31 December 2021, the Group had a total of 675 employees (31 December 2020: 711 employees). During the year ended 31 December 2021, total staff costs excluding Directors' remuneration was HK\$90.3 million (31 December 2020: HK\$87.8 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 performance of the Group and individuals. The Group also allocated resources for continuing education and would arrange regular trainings to staff members and management personnel to improve their skills and knowledge.

## PLEDGE OF ASSETS

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

	Year ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	158,870	142,575
Right-of-use assets	37,826	33,588
Financial assets at fair value through profit or loss	18,562	18,258
Inventories	42,858	41,717
Trade and bills receivables	54,775	34,124
Pledged bank deposits	25,383	35,056
Investment Property	6,560	—
	<u>344,834</u>	<u>305,318</u>

## CAPITAL COMMITMENT

The Group had the following capital commitment:

	Year ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Land and Buildings	28,542	22,375
Plant and machinery	1,369	1,212
	<u>29,911</u>	<u>23,587</u>

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for the business plan disclosed in this announcement, the Group did not have any future plans for material investments or capital assets as at 31 December 2021.

## CONTINGENT LIABILITIES

There were no material contingent liabilities of the Group as at 31 December 2021.

## 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 31 December 2021, 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 31 December 2021 (in HK\$ million)	Approximate amount utilised during the year (in HK\$ million)	Approximate amount unutilised as at 31 December 2021 (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	4.3	6.4	by December 2022
Additional working capital of the Group	28.8	10%	28.8	—	—	—
	<u>288.4</u>	<u>100%</u>	<u>282.0</u>	<u>4.3</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.

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 have not been fully fulfilled and the parties to the Asset Sale Agreement have not agreed on any further extension of the long stop date for satisfaction of the conditions precedents under the Asset Sale Agreement, the Asset Sale Agreement has 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 disposal of assets, 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. 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 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 the Share Option Scheme is 30 days after the relevant date of grant of the options.



As at 31 December 2021, 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. 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. 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. 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.

During the year 2021, 2 employees have resigned and 400,000 options were forfeited out of the 15,324,000 options. As a result, there were 14,924,000 outstanding options for the year ended 31 December 2021.

During the Reporting Period, no options were granted by the Board. As at 31 December 2021, the total number of share available for issue under the Share Option Scheme is 39,489,294 shares.

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

Grantees	Name of Director	Grant date	Exercise price	Vesting date	As at	Number of options granted during the Reporting Period	Exercised during the Reporting Period	Adjustment/ canceled/ lapsed during the Reporting Period	As at	
					1 January 2021				31 December 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. Norimoto Hisayoshi	09 May 2019	HK\$2.3	10 May 2020	44,284	—	—	—	44,284	
				10 May 2021	44,284	—	—	—	44,284	
				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	
	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 Biu, 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					20,059,150	—	—	—	20,059,150	
Employees	9 May 2019	HK\$2.3	10 May 2020	134,638	—	—	(46,069)	88,569		
			10 May 2021	134,638	—	—	(46,069)	88,569		
			10 May 2022	134,637	—	—	(46,068)	88,569		
			10 May 2023	134,637	—	—	(46,069)	88,568		
						538,550	—	—	(184,275)	354,275
	24 July 2020	HK\$0.8	23 July 2021	400,000	—	—	(133,333)	266,667		
			23 July 2022	400,000	—	—	(133,333)	266,667		
			23 July 2023	400,000	—	—	(133,334)	266,666		
						1,200,000	—	—	(400,000)	800,000
	Sub-total for Employees					1,738,550	—	—	(584,275)	1,154,275
Total					<u>21,797,700</u>	<u>—</u>	<u>—</u>	<u>(584,275)</u>	<u>21,213,425</u>	

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.

## **CORPORATE GOVERNANCE**

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability.

The Company has adopted the code provisions stated in the Corporate Governance Code (the “**Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). During the year ended 31 December 2021 (the “**Review Period**”), save as disclosed below, the Company has complied with all applicable code provisions set out in the Code.

Pursuant to 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. Chan Yu Ling, Abraham’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. Chan Yu Ling, Abraham’s 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 provision C.2.1 of the Code. Further, the Board believes that the current structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. Besides, all major decisions have been made in consultation with members of the Board and appropriate committees, as well as the senior management team.

The Board is therefore of the view that there are adequate balance of power and safeguards in place. Nevertheless, the Board will continue to monitor and review the Company’s current structure and to make changes at an appropriate time in the future if necessary.

## **AUDIT COMMITTEE**

The Company has established the Audit Committee with written terms of reference in compliance with the Listing Rules and the Code. The Audit Committee comprises three independent non-executive Directors as follows:

Mr. Ho Kwok Wah, George (*Chairman*)

Dr. Leung Lim Kin, Simon

Prof. Tsui Lap Chee

The chairman of the Audit Committee, Mr. Ho Kwok Wah, George, holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The primary roles and functions of the Audit Committee include, but not limited to: (i) reviewing and monitoring the relationship of the external auditor and the Group, particularly the external auditor's independence and objectivity and effectiveness of the audit process in accordance with applicable standard; (ii) reviewing the Company's financial information; (iii) reviewing the financial controls, internal control and risk management systems of the Group; and (iv) reviewing financial and accounting policies and practices of the Group.

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal control and financial reporting with the management. The Audit Committee has reviewed the annual financial results for the year ended 31 December 2021 and considers that the annual results are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

## **REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITORS**

The figures in respect of the Group's results for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Group's independent auditors to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Group's independent auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by the Group's independent auditors on this preliminary announcement of results.

## **MODEL CODE FOR SECURITIES**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by Directors. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the required standards of dealing as set out in the Model Code during the year ended 31 December 2021 and the Board was of the view that the model code has been fully complied with during the year ended 31 December 2021.

## **PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY**

The Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities throughout the year ended 31 December 2021.

## **IMPORTANT EVENTS SINCE THE END OF THE REPORTING PERIOD**

The Board is not aware any significant event affecting the Company or any of its subsidiaries after 31 December 2021 and up to the date of this announcement.

## **DIVIDEND**

The Board resolved not to recommend the payment of final dividend for the year ended 31 December 2021 to the shareholders of the Company (2020: nil).

## **ANNUAL GENERAL MEETING**

The annual general meeting (“AGM”) will be held on Monday, 23 May 2022 and the notice of AGM will be published and despatched in the manner as required by the Listing Rules and articles of association of the Company in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

In order to determine the shareholders eligibility to attend the AGM, the register of members of the Company will be closed from Wednesday, 18 May 2022 to Monday, 23 May 2022, both dates inclusive, during which no transfer of shares will be registered. Only shareholders of the Company whose names appear on the register of members of the Company on 23 May 2022 or their proxies or duly authorised corporate representatives are entitled to attend the AGM. In order to qualify for attending and voting at the AGM, all properly completed transfer documents accompanied with relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for registration no later than 4:30 pm on Tuesday, 17 May 2022.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.purapharm.com](http://www.purapharm.com). The annual report of the Company for the year ended 31 December 2021 will also be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.purapharm.com](http://www.purapharm.com) and will be dispatched to the shareholders of the Company according to the Listing Rules in April 2022.

## **FORWARD LOOKING STATEMENTS**

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

## **PROPOSED AMENDMENTS OF ARTICLES OF ASSOCIATION**

The Board proposes to amend the existing articles of association of the Company ("**Articles**") in order to bring the Articles in line with the latest legal and regulatory requirements, including the amendments made to Appendix 3 to the Listing Rules which took effect on 1 January 2022.

The proposed amendments to the Articles ("**Proposed Amendments**") are summarised below:

1. to specify that the Company shall hold an annual general meeting within six months after the end of the Company's financial year;
2. to provide that all shareholders shall have the right to (i) speak at a general meeting of the Company; and (ii) vote at a general meeting of the Company, except where a shareholder is required, by the Listing Rules, or the rules, codes or regulations of any competent regulatory authority, to abstain from voting to approve the matter under consideration;
3. to provide that in addition to the right to convene an extraordinary general meeting on the requisition of one or more shareholders holding not less than one tenth (1/10th) of the share capital of the Company having the right of voting at general meetings, such shareholder(s) shall also have the right to add resolutions to the meeting agenda of a general meeting;
4. to provide that the branch register of shareholders in Hong Kong may be closed on terms equivalent to section 632 of the Companies Ordinance (Chapter 622 of the Laws in Hong Kong); and

5. to make other necessary amendments for updating the Articles and better aligning with the wording in the applicable laws of Cayman Islands and the Listing Rules.

The Proposed Amendments are subject to consideration and approval by the shareholders by way of a special resolution at the AGM. A circular containing, among other things, particulars relating to Proposed Amendments together with a notice convening the AGM will be despatched to the shareholders of the Company according to the applicable law, the Articles and the Listing Rules.

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

Hong Kong, 29 March 2022

*As at the date of this announcement, the executive directors of the Company are Mr. Chan Yu Ling, Abraham, Ms. Man Yee Wai, Viola and Dr. Norimoto Hisayoshi; the non-executive directors of the Company are Mr. Chow, Stanley and Mr. Cheong Shin Keong; 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.*