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百信集团
PASHUN GROUP

Pa Shun International Holdings Limited

百信國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 574)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

For the reasons explained under the paragraph headed “Delay in publication of audited final results for the year ended 31 December 2019 and despatch of the annual report for the year ended 31 December 2019” below, the audit process for the final results of Pa Shun International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2019 has not been completed as at the date of this announcement. The board of directors (the “**Board**”) of the Company hereby announces the unaudited consolidated results of the Group for the year ended 31 December 2019 together with the comparative figures for 2018.

UNAUDITED ANNUAL RESULTS HIGHLIGHTS

- Revenue amounted to approximately RMB845,448,000 (2018: approximately RMB821,142,000).
- Loss for the year amounted to approximately RMB109,158,000 (2018: approximately RMB63,408,000).
- Basic and diluted loss per share were RMB7.56 cent (2018: RMB5.32 cent) and N/A (2018: N/A), respectively.
- The Board does not recommend the payment of any final dividend for the year ended 31 December 2019 (2018: Nil).

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	Year ended 31 December	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Revenue	2(a)	845,448	821,142
Cost of sales		<u>(803,516)</u>	<u>(760,856)</u>
Gross profit		41,932	60,286
Other income and gains	3(a)	22,283	19,193
Other net losses	3(b)	(117,177)	(42,661)
Selling and distribution expenses		(10,976)	(15,142)
General and administrative expenses		(35,229)	(55,314)
Finance costs	4	(11,855)	(15,668)
Share of profit of associate		<u>5,394</u>	<u>1,259</u>
Loss before tax	5	(105,628)	(48,047)
Income tax expense	6	<u>(3,530)</u>	<u>(15,361)</u>
Loss for the year		<u>(109,158)</u>	<u>(63,408)</u>
Attributable to:			
Equity shareholders of the Company		(109,480)	(59,409)
Non-controlling interests		<u>322</u>	<u>(3,999)</u>
Loss for the year		<u>(109,158)</u>	<u>(63,408)</u>
Loss per share (in RMB cents)	8		
Basic		<u>(7.56)</u>	<u>(5.32)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2019

	Year ended 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Loss for the year	(109,158)	(63,408)
Other comprehensive loss for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities outside the People's Republic of China ("PRC")	(6,903)	(5,448)
Total comprehensive loss for the year	(116,061)	(68,856)
Attributable to:		
Equity shareholders of the Company	(116,383)	(64,857)
Non-controlling interests	322	(3,999)
Total comprehensive loss for the year	(116,061)	(68,856)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	<i>NOTES</i>	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		51,642	58,026
Prepaid land lease payments		–	2,315
Interests in associates		56,503	9,382
Goodwill		–	5,942
Right-of-use assets		3,060	–
Property development project		185,797	–
Other intangible assets		33,722	886
Prepayments for intangible assets		–	17,000
Financial assets at fair value through other comprehensive income		25,000	–
Other non-current assets		1,972	192,769
Deferred tax assets		5,698	4,117
		<u>363,394</u>	<u>290,437</u>
CURRENT ASSETS			
Inventories		14,849	55,573
Trade and other receivables	9	449,605	422,193
Prepayments and deposits paid		181,301	259,054
Amount due from an associate		–	10,834
Amounts due from related parties		508	1,078
Pledged bank deposits		9,893	41,111
Cash and cash equivalents		16,125	48,831
		<u>672,281</u>	<u>838,674</u>
CURRENT LIABILITIES			
Trade and other payables	10	114,613	94,277
Bank borrowings		6,000	35,824
Amount due to a shareholder		–	3,413
Amounts due to associates		2	–
Amounts due to related parties		180	144
Amounts due to non-controlling interests		–	5,143
Corporate bonds payable		26,871	5,074
Income tax payable		8,695	13,930
		<u>156,361</u>	<u>157,805</u>
NET CURRENT ASSETS		<u>515,920</u>	<u>680,869</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>879,314</u>	<u>971,306</u>

	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Audited)
NON-CURRENT LIABILITIES		
Deferred income – government grant	24,053	24,565
Corporate bonds payable	64,143	82,336
Lease liabilities	114	–
Deferred tax liabilities	–	7,932
	88,310	114,833
NET ASSETS	791,004	856,473
CAPITAL AND RESERVES		
Share capital	1,216	1,116
Reserves	803,689	869,580
Total equity attributable to equity shareholders of the Company	804,905	870,696
Non-controlling interests	(13,901)	(14,223)
TOTAL EQUITY	791,004	856,473

Notes:

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The unaudited consolidated financial statements of the Group, comprising the Company and its subsidiaries, have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), and accounting principles generally accepted in Hong Kong. These consolidated financial statements have also been prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules (“**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

New and revised HKFRSs applied in current year

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRSs	Annual Improvements 2015-2017 Cycle
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but not yet effective:

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

¹ *Effective for annual periods beginning on or after 1 January 2021.*

² *Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.*

³ *Effective for annual periods beginning on or after a date to be determined.*

⁴ *Effective for annual periods beginning on or after 1 January 2020.*

2. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are pharmaceutical distribution, self-operated retail pharmacies and manufacture of pharmaceutical products in the PRC.

Revenue represents the sales value of goods supplied to customers (which is recognised on the basis of “at a point in time”). The revenue of each significant segment is as follows:

	2019 RMB'000 (Unaudited)	2018 <i>RMB'000</i> (Audited)
Pharmaceutical distribution	798,490	754,498
Self-operated retail pharmacies	1,255	3,882
Pharmaceutical manufacturing	45,703	62,762
	845,448	821,142

(b) Segment reporting

The Group manages its business by business lines and distribution channels. In a manner consistent with the way in which information is reported internally to the executive Directors, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance, the Group has presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

Pharmaceutical distribution:	this segment generates revenue primarily from sales of pharmaceutical products to (i) wholesalers, (ii) franchise retail pharmacy chain stores and (iii) hospitals and other medical institutions in rural areas.
Self-operated retail pharmacies:	this segment generates revenue primarily from sales of pharmaceutical and healthcare products, cosmetic products and daily necessities in self-operated retail pharmacies.
Pharmaceutical manufacturing:	this segment generates revenue primarily from sales of pharmaceutical products manufactured by the Group.

(i) **Segment revenue and results**

Segment information regarding the Group's revenue and results as provided to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2019 and 2018 is set out below.

	Year ended 31 December 2019							
	Pharmaceutical distribution				Sub-total RMB'000 (Unaudited)	Self-operated retail pharmacies RMB'000 (Unaudited)	Pharmaceutical manufacturing RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Sales to wholesalers RMB'000 (Unaudited)	Sales to franchise retail pharmacy chain stores RMB'000 (Unaudited)	Sales to hospitals and other medical institutions in rural areas RMB'000 (Unaudited)	Others RMB'000 (Unaudited)					
Revenue from external customers	690,859	39,218	58,905	9,508	798,490	1,255	45,703	845,448
Inter-segment revenue	-	-	-	-	-	-	291	291
Reportable segment revenue	690,859	39,218	58,905	9,508	798,490	1,255	45,994	845,739
Reportable segment profit/(loss)	8,823	2,027	9,135	1,565	21,550	(463)	19,660	40,747
Other segment information								
Depreciation and amortisation	-	-	-	-	-	-	114	114
	Year ended 31 December 2018							
	Pharmaceutical distribution				Sub-total RMB'000 (Audited)	Self-operated retail pharmacies RMB'000 (Audited)	Pharmaceutical manufacturing RMB'000 (Audited)	Total RMB'000 (Audited)
	Sales to wholesalers RMB'000 (Audited)	Sales to franchise retail pharmacy chain stores RMB'000 (Audited)	Sales to hospitals and other medical institutions in rural areas RMB'000 (Audited)	Others RMB'000 (Audited)				
Revenue from external customers	566,479	133,243	49,655	5,121	754,498	3,882	62,762	821,142
Inter-segment revenue	253	4,592	-	-	4,845	-	749	5,594
Reportable segment revenue	566,732	137,835	49,655	5,121	759,343	3,882	63,511	826,736
Reportable segment profit	13,301	10,002	5,699	723	29,725	1,425	29,111	60,261
Other segment information								
Depreciation and amortisation	-	-	-	-	-	-	675	675

Revenue and expenses are allocated to the reportable segments with reference to sales generated by and the expenses incurred by those segments. The measure used for reporting segment profit is gross profit. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

(ii) **Reconciliations of reportable segment revenue and segment profit or loss**

	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Audited)
Revenue		
Reportable segment revenue	845,739	826,736
Elimination of inter-segment revenue	<u>(291)</u>	<u>(5,594)</u>
Consolidated revenue	<u>845,448</u>	<u>821,142</u>
Loss		
Reportable segment profit	40,747	60,261
Elimination of inter-segment loss	<u>1,185</u>	<u>25</u>
Gross profit derived from external customers	41,932	60,286
Other income and gains	22,283	19,193
Other net losses	(117,177)	(42,661)
Selling and distribution expenses	(10,976)	(15,142)
General and administrative expenses	(35,229)	(55,314)
Finance costs	(11,855)	(15,668)
Share of profit of associate	<u>5,394</u>	<u>1,259</u>
Consolidated loss before tax	<u>(105,628)</u>	<u>(48,047)</u>
Other items		
Depreciation and amortisation		
Reportable segment total	114	675
Unallocated total	<u>7,137</u>	<u>5,158</u>
Consolidated total	<u>7,251</u>	<u>5,833</u>

(iii) Revenue from individual customers contributing over 10% of the total revenue of the Group is as follows:

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Revenue generated from pharmaceutical distribution		
Customer A	153,903	N/A
Customer B	121,707	N/A
Customer C	98,369	N/A

Revenue from each of the Customer A, Customer B and Customer C for the year ended 31 December 2018 did not contribute 10% or more to the Group's revenue for that year.

The Group's segment revenue and segment profit were entirely derived from activities of pharmaceutical distribution, self-operated retail pharmacies and pharmaceutical manufacturing in the PRC for the years ended 31 December 2019 and 2018 and the principal assets employed by the Group were located in the PRC as at 31 December 2019 and 2018. Accordingly, no analysis by geographical information is provided for the years ended 31 December 2019 and 2018.

No analysis of the Group's assets and liabilities by operating segments was regularly provided to the chief operating decision makers for review during the years ended 31 December 2019 and 31 December 2018 for the purposes of resource allocation and assessment of segment performance.

3. OTHER INCOME AND GAINS AND OTHER NET LOSS

(a) Other income and gains

	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Audited)
Franchise fee	8,155	7,378
Bank interest income	49	193
Interest income from loan receivables	576	518
Gain on disposal of property, plant and equipment	9	–
Gain on change in fair value of biological assets	–	60
Gain on disposal of subsidiary	5,516	–
Gain on disposal of intangible assets	–	603
Gain on redemption of convertible bonds	–	7,516
Write-off of trade payables	172	–
Write-off of other payables	1,215	–
Reversal of write-off of other payables	(583)	–
Net foreign exchange gains	571	–
Royalty fee income	4,000	–
Deferred income – government grant	512	511
Others	2,091	2,414
	<u>22,283</u>	<u>19,193</u>

(b) Other net losses

	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Audited)
Net foreign exchange losses	–	1,456
Impairment loss on:		
Inventories	463	–
Trade receivables	42,447	10,046
Other receivables	7,193	2,335
Deposit paid	25,000	–
Advance payments to supplier	32,501	–
Prepayments for intangible assets	17,000	3,000
Write-off of property, plant and equipment	179	–
Loss on disposal of property, plant and equipment	–	4,163
Loss on disposal of a subsidiary	–	903
Loss on disposal of land use rights	–	1,780
Loss on issue of convertible bonds	–	42,043
Loss on disposal of associate	1,916	–
Reversal of impairment loss on:		
Deposits for acquisition of property, plant and equipment	–	(10,000)
Trade receivables	(8,288)	(2,974)
Other receivables	(1,234)	(10,091)
	<u>117,177</u>	<u>42,661</u>

4. FINANCE COSTS

	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Audited)
Interest on:		
Bank borrowings	1,242	241
Corporate bonds payable	10,421	9,438
Convertible bonds	–	5,558
Other borrowings	107	125
Lease liabilities	85	–
Bills charges and other bank charges	–	306
	<u>11,855</u>	<u>15,668</u>

5. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Audited)
Cost of inventories (<i>note i</i>)	803,516	760,856
Salaries, wages and other benefits	12,156	18,218
Contributions to defined contribution retirement plans	580	2,115
Total staff costs (<i>note ii</i>)	12,736	20,333
Amortisation of intangible assets	2,140	178
Amortisation of prepaid land lease payments	–	205
Depreciation of property, plant and equipment	3,517	5,450
Depreciation of right-of-use assets	1,594	–
Auditors' remuneration		
Audit services	1,305	1,285
Non-audit services	220	185
Operating lease charges in respect of property rentals	–	1,848
Research and development expenses	–	819
Equity-settled share-based payments	–	11,456
	<u>12,736</u>	<u>20,333</u>

(i) Cost of inventories includes staff costs and depreciation expenses totalled RMB738,000 (2018: RMB1,398,000) which are also included in the respective total amounts disclosed separately above.

(ii) The total staff costs include directors' emoluments.

6. INCOME TAX EXPENSE

	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Audited)
Current tax		
PRC Enterprise Income Tax	5,111	12,680
Deferred tax		
Origination and reversal of temporary differences	<u>(1,581)</u>	<u>2,681</u>
	<u>3,530</u>	<u>15,361</u>

- (i) The Group is subject to income tax on an entity based on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.
- (ii) Pursuant to rules and regulations of the Cayman Islands and the British Virgin Islands (“**BVI**”), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (iii) No provision for Hong Kong Profits Tax has been made in the unaudited consolidated statement of profit or loss as the Group has no assessable profits arising in Hong Kong for both of the years presented.
- (iv) Except for Chengdu Toyot Pa Shun Pharmacy Co., Ltd. (“**Chengdu Pashun**”), the Group’s PRC subsidiaries are subject to PRC Enterprise Income Tax at the statutory rate of 25% (2018: 25%).

Having applied for preferential income tax treatment under the Notice on the Issues of Tax Policies for Thorough Implementation of Western Development Strategy, Chengdu Pashun, a wholly-owned subsidiary of the Company, obtained the approval from local tax authority and is entitled to a preferential income tax rate of 15% for the period from 1 January 2011 to 31 December 2020.

7. DIVIDEND

No dividend was paid, declared or proposed during the year ended 31 December 2019 (2018: Nil) nor had any dividend been proposed since the end of the reporting period (2018: Nil).

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of RMB109,480,000 (2018: RMB59,409,000) and the weighted average of approximately 1,448,003,000 ordinary shares (2018: 1,117,006,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to equity shareholders of the Company and the weighted average number of ordinary shares, as follows:

(i) Loss

	2019 RMB'000 (Unaudited)	2018 <i>RMB'000</i> (Audited)
Loss for the purpose of basic earnings per share	(109,480)	(59,409)
Effect of diluted potential ordinary shares:		
Interest on convertible bonds	-	5,558
Gain on redemption of convertible bonds	-	(7,516)
	<hr/>	<hr/>
Loss for the purpose of diluted loss per share	<u>N/A</u>	<u>N/A</u>

(ii) *Weighted average number of ordinary shares*

	2019	2018
	Number of	Number of
	shares	shares
	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	1,448,003	1,117,006
Effect of conversion of convertible bonds	<u>–</u>	<u>169,337</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u><u>N/A</u></u>	<u><u>N/A</u></u>

The computation of diluted loss per share does not assume the exercise of the Company's share options granted because the exercise price of those share options was higher than the average market price of shares for both of the years presented.

Diluted loss per share for the years ended 31 December 2019 and 31 December 2018 is not presented as the effects arising from the convertible bonds are anti-dilutive.

9. TRADE AND OTHER RECEIVABLES

	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Audited)
Trade and commercial bills receivables	367,608	346,191
Bank bills receivables	1,494	1,325
Other receivables	80,503	74,677
	<u>449,605</u>	<u>422,193</u>

Ageing analysis of trade and commercial bills receivables

As at the end of the reporting period, the ageing analysis of trade and commercial bills receivables, based on dates of goods delivery and net of allowance for doubtful debts, is as follows:

	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Audited)
Within 1 month	9,380	86,861
1 to 3 months	30,709	114,552
4 to 6 months	69,398	76,497
Over 6 months	258,121	68,281
	<u>367,608</u>	<u>346,191</u>

An average credit period of 30 to 180 days is granted by the Group to its customers.

10. TRADE AND OTHER PAYABLES

	2019 RMB'000 (Unaudited)	2018 <i>RMB'000</i> (Audited)
Trade payables	35,205	30,428
Bills payables	19,787	11,730
Lease liabilities	861	–
Other payables, deposits received and accrued expenses	58,760	52,119
	114,613	94,277

As at the end of the reporting period, the ageing analysis of trade payables, based on dates of goods delivery, is as follows:

	2019 RMB'000 (Unaudited)	2018 <i>RMB'000</i> (Audited)
Within 1 month	7,616	4,855
1 to 3 months	4,885	3,570
Over 3 months	22,704	22,003
	35,205	30,428

The credit period granted by suppliers is 30 to 180 days.

11. EVENTS AFTER THE REPORTING PERIOD

Since early 2020, the outbreak of Coronavirus Disease 2019 (the “COVID-19 Outbreak”) has spread across China and other countries and it has adversely affected the business and economic activities of the Group.

The overall financial effect of the above cannot be reliably estimated as of the date of this announcement. The Group will pay close attention to the development of the COVID-19 Outbreak and continue to evaluate its impact on the business of the Group and the Group’s financial position and operating results.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group continued to focus on the pharmaceutical distribution and pharmaceutical manufacturing businesses in the PRC during the year ended 31 December 2019. For the self-operated retail pharmacies business, the Group continued to seek mergers and acquisitions opportunities in respect of established retail pharmacy chains in order to revitalize the business segment.

Revenue

For the year ended 31 December 2019, the Group recorded a total revenue of RMB845.4 million, representing an increase of approximately 3.0% from RMB821.1 million for last year. This increase was primarily due to the growth in revenue from the Group's pharmaceutical distribution to wholesalers and hospitals and other medical institutions in rural areas.

Cost of Sales, Gross Margin and Gross Profit Margin

The Group's cost of sales increased by approximately 5.6% from RMB760.9 million for the year ended 31 December 2018 to RMB803.5 million for the year ended 31 December 2019. This increase was primarily due to increase in cost of sales for the Group's pharmaceutical distribution segment.

The Group's gross profit decreased by approximately 30.4% from RMB60.3 million for the year ended 31 December 2018 to RMB41.9 million for the year ended 31 December 2019. The Group's gross profit margin decreased from 7.3% for the year ended December 2018 to 5.0% for the year ended 31 December 2019. Such decrease is primarily attributable to increasing competition of pharmaceutical distribution to wholesalers and franchise retail pharmacy chain stores.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by approximately 27.5% from RMB15.1 million for the year ended 31 December 2018 to RMB11.0 million for the year ended 31 December 2019. This decrease was primarily due to the absence of depreciation of ephedra grass of 鹽池縣醫藥藥材有限公司 (Yanchi County Medical & Pharmaceutical Herbal Co., Ltd.*) (“**Yanchi County**”), a then wholly-owned subsidiary of the Company, during the year ended 31 December 2019 as the ephedra grass held by Yanchi County had been disposed of by the Group in 2018.

General and Administrative Expenses

The Group's general and administrative expenses decreased by approximately 36.3% from RMB55.3 million for the year ended 31 December 2018 to RMB35.2 million for the year ended 31 December 2019. This decrease was primarily due to the payment of consultancy fee for advisory on business development in 2018 and recognition of the equity-settled share-based payments in the year ended 31 December 2018 as a result of the grant of share options by the Company to subscribe for an aggregate of 100,000,000 shares of the Company on 7 September 2018. No such expenses were recognized during the year ended 31 December 2019.

Other Income and Gains

Other income and gains increased by approximately 16.1% from RMB19.2 million for the year ended 31 December 2018 to RMB22.3 million for the year ended 31 December 2019. The increase was attributable to the gain on disposal of 100% equity interest in Yanchi County of RMB5.5 million and royalty fee income from patents acquired in 2019 of RMB4.0 million recognized during the year ended 31 December 2019 while no such income was noted in 2018. The increase is offset by the absence of one-off gain on redemption of convertible bonds in 2019, as compared to the one-off gain on redemption of convertible bonds of RMB7.5 million recorded for the year ended 31 December 2018.

Other Net Losses

The Group recorded other net losses of RMB117.2 million for the year ended 31 December 2019, representing an increase of approximately 174.5% from RMB42.7 million in 2018. The significant increase in other net losses was mainly due to the recognition of impairment loss on trade and other receivables of RMB49.6 million during the year ended 31 December 2019 (RMB12.4 million for the year ended 31 December 2018), taking into account that it is currently expected that the Group would not be able to receive the overdue trade receivables of the Company from some of its customers in the PRC which businesses have been adversely affected by the outbreak of the novel coronavirus (COVID-19) epidemic (“**Epidemic**”) in the PRC. Such increase is offset by the absence of loss on issue of convertible bonds in 2019, as compared to the loss on issue of convertible bonds of RMB42.0 million recorded in 2018.

Finance Costs

Finance costs decreased by approximately 24.3% from RMB15.7 million for the year ended 31 December 2018 to RMB11.9 million for the year ended 31 December 2019. The decrease was primarily due to absence of interest on convertible bonds for the year ended 31 December 2019 following the conversion of the convertible bonds into ordinary shares of the Company in 2018.

Loss Before Tax

Loss before tax increased by approximately 120% from RMB48.0 million for the year ended 31 December 2018 to RMB105.6 million for the year ended 31 December 2019. The increase was primarily due to the combined effect of (i) the increase in other net losses; (ii) the decrease in gross profit; and (iii) the decrease in general and administrative expenses as disclosed above.

Income Tax Expense

Income tax expenses decreased from RMB15.4 million for the year ended 31 December 2018 to RMB3.5 million for the year ended 31 December 2019. Such decrease was primarily due to the decrease in taxable income from the PRC subsidiaries of the Company.

Loss for the Year and Net Loss Margin

As a result of the foregoing, the Group's loss for the year increased by approximately 72.2% from RMB63.4 million for the year ended 31 December 2018 to RMB109.2 million for the year ended 31 December 2019. The Group's net loss margin increased from 7.7% for the year ended 31 December 2018 to 12.9% for the year ended 31 December 2019.

BUSINESS REVIEW

In 2019, the Group's revenue generated by the pharmaceutical distribution segment amounted to approximately RMB798.5 million, representing an increase of approximately 5.8% as compared with approximately RMB754.5 million for 2018. The growth in revenue from the Group's pharmaceutical distribution was from wholesalers and hospitals and other medical institutions in rural areas. But due to increasing competition of pharmaceutical distribution after the implementation of the two-invoices system in the PRC, the gross profit ratio of pharmaceutical distribution keeps deteriorating during 2019.

For the year ended 31 December 2019, the Group's revenue from the self-operated retail pharmacies segment amounted to approximately RMB1.3 million, representing a decrease of approximately 67.7% from approximately RMB3.9 million for the year ended 31 December 2018.

For the year ended 31 December 2019, the Group's revenue from the pharmaceutical manufacturing segment amounted to approximately RMB45.7 million, representing a decrease of approximately 27.2% from approximately RMB62.8 million for the year ended 31 December 2018. Such decrease was mainly attributable to the sluggish market for traditional embrocation products.

OUTLOOK

Due to the Epidemic in the PRC, the economy of the PRC is seriously affected. Since many economic activities in the PRC are slowed down due to the Epidemic, and the factory of the Group was closed for around two months in the first quarter of 2020, it is currently expected that the revenue and results of the Group for the first half of 2020 will be adversely affected. The Group will continue to leverage on its solid foundation in the PRC and make good use of its existing resources and networks to capture the opportunities to expand to other business through various business development strategies, at the same time diversify its business risk to other investment segments and other countries. In 2019, with the acquisition of two companies which indirectly hold interest in certain units located in the building called “The Apple” which is a multi-storey building located in Melaka, Malaysia during the current interim period, the Group made its first step to explore and invest in the Malaysian property market. The Company currently intends to hold the properties for investment purpose to generate rental income for the Group and will engage a local professional property manager to manage the properties and the leasing business upon the completion of construction of the properties. The Company will further seek other similar opportunities to reduce the operation risk of the Group.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The Group had total cash and cash equivalents of RMB16.1 million as at 31 December 2019 as compared with RMB48.8 million as at 31 December 2018.

The Group recorded net current assets of RMB515.9 million and RMB680.9 million as at 31 December 2019 and 31 December 2018 respectively. The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was 4.30 as at 31 December 2019, as compared with 5.31 as at 31 December 2018.

As at 31 December 2019, the total amount of bank loans was RMB6.0 million, as compared with RMB35.8 million as at 31 December 2018.

As at 31 December 2019, the total number of issued ordinary shares of the Company was 1,474,992,908 shares (31 December 2018: 1,357,874,000 shares) (“**Shares**”). In each of 2016 and 2018, the Company has granted to certain eligible persons share options (“**Options**”) to subscribe for an aggregate of 100,000,000 Shares under the share option scheme adopted by the Company by ordinary resolution of all shareholders of the Company passed on 26 May 2015. As at 31 December 2019, 100,000,000 share options remained outstanding. Please refer to the announcements of the Company dated 7 September 2018 for details of the grant of the Options. No Options were granted in 2019.

During 2016 to 2018, the Company issued unsecured corporate bonds with principal amount of HK\$113.9 million to various independent third parties at par value, bearing coupon rates of 6.5% to 7% per annum and with maturity periods from 2 to 7.5 years. During the year ended 31 December 2019, the Company repaid a matured corporate bond with principal amount of HK\$2 million. As at 31 December 2019, two corporate bonds with aggregate amount of HK\$4.0 million maturing on 5 December 2019 and 20 December 2019 respectively have remained outstanding to date. As at 31 December 2019, interest payable on such corporate bonds of approximately HK\$7.4 million was due and remained outstanding and approximately HK\$738,000 was subsequently settled after 31 December 2019. Since the maturity dates of bonds principal and interests, the Company and the holders of the corporate bonds have engaged in numerous rounds of negotiations to seek to resolve the issue amicably, including extension of the maturity date and the due date of the interest payments.

The Group actively and regularly reviews and manages its capital structure to enhance its financial strength for the Group’s long-term development. There was no change in the Group’s approach to capital management during the year ended 31 December 2019.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE RISKS

The functional currency of the Group is Renminbi while a portion of funds raised by the Group from its initial public offering and issue of corporate and convertible bonds is still in the form of bank deposits denominated in Hong Kong dollars. Therefore, it may be subject to the risks of exchange rate fluctuations of the Renminbi and the Hong Kong dollars. Apart from the above, most of the assets and transactions of the Group are dominated in Renminbi, and the Group mainly settles its operating expenses in the PRC with income generated from operations in Renminbi, thus the Group is not exposed to any significant foreign exchange risks.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2019, the Group conducted the following acquisitions:

On 8 March 2019, Ready Gain Limited (“**Ready Gain**”), a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Yu Kin Wai Perway and Mr. Chu Hin Ming Alfonso (the “**Vendors**”), being the independent third parties to the Group, in relation to the acquisition of the entire issued share capital of Bisan Parkwell Consultants Limited (“**Bisan Parkwell**”) by Ready Gain at a total consideration of HK\$45,325,000, which shall be satisfied by the allotment and issue of 82,409,090 Shares by the Company.

Bisan Parkwell is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. It holds 49% of the legal and beneficial interest in the issued share capital of a company incorporated in Malaysia, the principal assets of which comprise 48 units located in the building called “The Apple” located in Melaka, Malaysia, which is a multi-storey building consisting of 361 units in total, all of which will be used as serviced apartments (the “**Building**”). The aggregate gross floor area of the 48 units is approximately 54,279 square feet. Completion of the acquisition took place on 19 March 2019, upon which 82,409,090 Shares have been allotted and issued by the Company, and Bisan Parkwell has become an indirect wholly-owned subsidiary of the Company. Details of this acquisition are set out in the Company’s announcements dated 8 March 2019 and 19 March 2019.

On 8 March 2019, Big Wish Global Limited (“**Big Wish**”), a direct wholly-owned subsidiary of the Company, and Mawar F & B Group Sdn Bhd (the “**Vendor**”), being the independent third party to the Group, entered into an agreement, pursuant to which Big Wish conditionally agreed to acquire, and the Vendor conditionally agreed to sell, 45% of the entire issued share capital of VR Green Sdn Bhd (“**VR Green**”) at a total consideration of HK\$35,100,000 which shall be satisfied by the allotment and issue of 63,818,181 Shares by the Company. VR Green is a company incorporated in Malaysia with limited liability and is principally engaged in property development and investment. The principal asset of VR Green is a freehold building land (measuring approximately 9,308 square metres) which is currently held under HS(D) 246768, P7553, in Bandar Baru Kota Sri Mas, District of Seremban, State of Negeri Sembilan. However, the agreement has been terminated on 28 March 2019 due to the unsatisfaction of the condition precedent in relation to due diligence as set out in the agreement. Details of this transaction are set out in the Company’s announcements dated 8 March 2019 and 28 March 2019.

On 3 April 2019, Big Wish entered into an agreement with the Vendors pursuant to which Big Wish conditionally agreed to acquire, and the Vendors conditionally agreed to sell, the entire issued share capital of Parkwell Services Consultants Limited (“**Parkwell Services**”) at a total consideration of HK\$19,090,400 which shall be satisfied by the allotment and issue of 34,709,818 Shares by the Company. Parkwell Services holds 49% of the legal and beneficial interest in the issued share capital of a company incorporated in Malaysia, the principal assets of which comprise 20 units located in the Building. The aggregate gross floor area of the 20 units is approximately 21,606 square feet. Completion of the acquisition took place on 12 April 2019, upon which 34,709,818 Shares have been allotted and issued by the Company, and Parkwell Services has become an indirect wholly owned subsidiary of the Company. Details of this acquisition are set out in the Company’s announcements dated 3 April 2019, 4 April 2019 and 12 April 2019.

The Building is expected to be completed in 2020. The Group will engage a local professional property manager to manage the Building and the leasing business.

Saved as disclosed above, the Group did not make any other significant investments, acquisitions or disposals that would constitute a notifiable transaction under Chapter 14 of the Listing Rules during the year under review.

HUMAN RESOURCES

As at 31 December 2019, the Group had a total of 170 (31 December 2018: 203) staff, primarily in the PRC. The total staff cost was RMB12.7 million (year ended 31 December 2018: RMB20.3 million) for the year ended 31 December 2019.

The Group believes its human resources are its valuable assets and maintains its firm commitment to attracting, developing and retaining talented employees, in addition to providing dynamic career opportunities and cultivating a favorable working environment. The Group constantly invests in training across diverse operational functions and offers competitive remuneration packages and incentives to all employees. The Group regularly reviews its human resources policies for addressing corporate development needs.

USE OF NET PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Shares are listed on the Main Board of the Stock Exchange on 19 June 2015 with net proceeds (“**Net Proceeds**”) from the global offering of approximately HK\$249.5 million (after deducting underwriting commissions and related expenses). As at 1 January 2019, the unutilised Net Proceeds amounted to approximately HK\$101.7 million. As at 31 December 2019, the Group had fully utilized all the Net Proceeds.

The following table sets forth a breakdown of the use of the Net Proceeds as at 31 December 2019:

	Available to use <i>HK\$ million</i>	Utilised (as at 31 December 2019) <i>HK\$ million</i>
Use of the Net Proceeds		
Logistics center and related expenses	121.3	121.0
Acquisition or establishment of self-operated retail pharmacy stores	116.2	14.8
Working capital and other general corporate purposes	<u>12.0</u>	<u>113.7</u>
	<u><u>249.5</u></u>	<u><u>249.5</u></u>

Notwithstanding the Group's continuous attempts in seeking and exploring on potential acquisition opportunities of retail pharmacy stores, the Group has encountered difficulties in identifying promising acquisition targets. To facilitate better resources allocation, during the year under review, the Board has resolved to change the proposed use of the unutilised Net Proceeds of approximately HK\$101.4 million originally intended to be used to acquire or establish self-operated retail pharmacy stores for working capital and other general corporate purposes, and approximately HK\$0.3 million originally intended to be used for the Group's logistics center and related expenses for working capital and other general corporate purposes and such proceeds were utilised as such during the year under review.

The Directors (including the independent non-executive Directors) consider the above changes of the use of the Net Proceeds is fair and reasonable and in the interests of the Company and its shareholders as a whole.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2019 (year ended 31 December 2018: Nil).

CORPORATE GOVERNANCE

The Group has committed to achieving high corporate governance standards in order to safeguard the interests of shareholders and enhance corporate value and accountability of the Company. The Company has adopted the code provisions set out in the Corporate Governance Code (the “**CG Code**”) in Appendix 14 to the Listing Rules as its own code of corporate governance. During the year ended 31 December 2019, the Company has complied with the code provisions set out in the CG Code, except for the code provision A.2.1 of the CG Code.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer of the Company should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Chen Yenfei is the chairman and chief executive officer of the Company. He has extensive experience in medicine industry and is responsible for the overall corporate strategies, planning and business management of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The balance of power and authorities is ensured by the operation of the Board and the Group’s senior management, which comprise experienced and high caliber individuals.

The Board currently comprises three executive Directors, three non-executive Directors and three independent non-executive Directors and has a strong independence element in its composition.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

AUDIT COMMITTEE

The primary responsibilities of the audit committee of the Board (the “**Audit Committee**”) include (but not limited to) assisting the Board to provide an independent review and supervision of the Group’s financial and accounting policies, to oversee the financial control, internal control and risk management systems of the Group, to oversee the audit process, and to perform other duties and responsibilities as delegated by the Board.

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Liu Liangzhong, Mr. Wong Tak Shing and Mr. Lu Yongchao. The chairman of the Audit Committee is Mr. Liu Liangzhong who has appropriate professional qualifications. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group, and discussed the internal controls and financial reporting matters, including a review of the unaudited annual financial results for the year ended 31 December 2019.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) set out in Appendix 10 to the Listing Rules as the Company’s code of conduct regarding Directors’ securities transactions. Having made specific enquiry of all Directors, all the Directors have complied with the required standard as set out in the Model Code during the year ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

UNCERTAINTY OF THE UNAUDITED ANNUAL RESULTS

Due to the outbreak of the Epidemic in the PRC and 武漢太福製藥有限公司 (for identification purpose only, Wuhan Taifu Pharmaceutical Co. Ltd. (“**Wuhan Taifu**”)), an investee of the Company, is a company located in Wuhan, the independent valuer engaged by the Group cannot complete the valuation on the fair value of Wuhan Taifu as at 31 December 2019 (“**Wuhan Taifu Valuation**”) as site inspection is unable to be carried out as a result of the travel restrictions in the Hubei Province, and the cashflow forecast as well as the supporting documents of Wuhan Taifu (“**Wuhan Taifu FI**”) have not been made available to the Group as at the date of this announcement. As a result, the share of profit of associate for the year ended 31 December 2019, the investment in associate as at 31 December 2019 and the fair value of the financial assets at fair value through other comprehensive income as at 31 December 2019 as mentioned above are uncertain and subject to the Wuhan Taifu Valuation and the Wuhan Taifu FI being made available to the Group.

DELAY IN PUBLICATION OF AUDITED FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019 AND DESPATCH OF THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The unaudited financial results of the Group for the year ended 31 December 2019 have not been agreed by the auditors of the Company.

As a result of the outbreak of the Epidemic, the ability to conduct an audit of the Group's financial statements has been affected, mainly as a result of the travel restrictions and quarantine measures imposed by the relevant authorities, in particular, the quarantine requirement ("**HK Quarantine Requirement**") stipulated under the Compulsory Quarantine of Certain Persons Arriving at Hong Kong Regulation (Chapter 599C of the Laws of Hong Kong). As based on current situation, the staff of the auditors of the Company will travel to the Group's office in the PRC to conduct audit field work after the HK Quarantine Requirement, Malaysia restriction and Chengdu Quarantine Requirement are lifted (i.e. the staff of the auditors of the Company will not be required to be put under quarantine after returning from the PRC to Hong Kong). In addition, the audit work and related property valuation regarding the associates of the Company in Malaysia have not been completed because of the imposition of movement control order by the Malaysian government ("**Malaysia Restriction**"), under which office premises shall be closed with effect from 18 March 2020 to 31 March 2020, which prevent the staff of the auditors of the Company visiting the offices of the associates of the Company in Malaysia to carry out the audit fieldwork. Besides, with effect from 27 March 2020, there has been restriction on visiting Chengdu, the location of most of the subsidiaries of the Company, to the effect that any person arriving Chengdu shall be subject to medical observation for 14 days ("**Chengdu Quarantine Requirement**"). In view of the above, the Company currently expects that more time will be required to complete the audit work and hence there will be a delay in the publications of audited results of the Group for the year ended 31 December 2019 and the despatch of the Company's annual report for the year ended 31 December 2019. Based on preliminary agreement with the auditors of the Company, it is currently expected that, barring unforeseen circumstances and on the assumption that the HK Quarantine Requirement will be lifted at midnight on 7 May 2020, both of the Chengdu Quarantine Requirement and the Malaysia Restriction will be lifted by 7 May 2020 and the Wuhan Taifu Valuation and the Wuhan Taifu FI are made available to the Group by 31 May 2020, the audit of the final results for the year ended 31 December 2019 will be completed in June 2020, and the announcement the audited annual results of the Group for the year ended 31 December 2019 and the annual report of the Company for the year ended 31 December 2019 will be published by the Company by 30 June 2020.

The financial information of the Group for the year ended 31 December 2019 contained herein in respect of the annual results of the Group for the year ended 31 December 2019 have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board of Directors
Pa Shun International Holdings Limited
Mr. Chen Yenfei
Chairman and Chief Executive Officer

Hong Kong, 31 March 2020

As at the date of this announcement, the executive Directors are Mr. Chen Yenfei, Mr. Shen Shun and Mr. Chen Rongxin; the non-executive Directors are Mr. Zhang Xiongfeng, Mr. Hu Haisong and Mr. Wu Guohua; and the independent non-executive Directors are Mr. Liu Liangzhong, Mr. Wong Tak Shing and Mr. Lu Yongchao.

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company at www.pashun.cn under the section of “Investor Relations/HKEx Filings” respectively. The annual report of the Company for the year ended 31 December 2019 will be dispatched to the shareholders of the Company and will be available on the same websites in due course.