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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcement of Pa Shun International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 31 March 2020 in relation to the unaudited annual results for the year ended 31 December 2019 (the “**Unaudited Results Announcement**”) and the announcement of the Company dated 8 June 2020 in relation to, among others, the delay in publication of the Company’s audited annual results announcement for the year ended 31 December 2019 and despatch of the annual report of the Company for the year ended 31 December 2019.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that the Company’s auditors, CCTH CPA Limited, has completed its audit of the consolidated financial statements of the Group for the year ended 31 December 2019 in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The audited annual consolidated results of the Group for the year ended 31 December 2019 together with the comparative figures for 2018 are as follows:

ANNUAL RESULTS HIGHLIGHTS

- Revenue amounted to approximately RMB845,448,000 (2018: approximately RMB821,142,000).
- Loss for the year amounted to approximately RMB193,399,000 (2018: approximately RMB63,408,000).
- Basic and diluted loss per share were RMB13.38 cents (2018: RMB5.32 cents) 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).

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

	NOTES	Year ended 31 December	
		2019 RMB'000	2018 RMB'000
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)	22,285	19,193
Other net losses	3(b)	(197,289)	(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>650</u>	<u>1,259</u>
Loss before tax	5	(190,482)	(48,047)
Income tax expense	6	<u>(2,917)</u>	<u>(15,361)</u>
Loss for the year		<u>(193,399)</u>	<u>(63,408)</u>
Attributable to:			
Equity shareholders of the Company		(193,721)	(59,409)
Non-controlling interests		<u>322</u>	<u>(3,999)</u>
Loss for the year		<u>(193,399)</u>	<u>(63,408)</u>
Loss per share (in RMB cents)	8		
Basic		<u>(13.38)</u>	<u>(5.32)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

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>
Loss for the year	(193,399)	(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" or "China")	(8,083)	(5,448)
Item that may not be reclassified subsequently to profit or loss:		
Loss on change in fair value of financial assets at fair value through other comprehensive income	<u>(22,000)</u>	<u>–</u>
Total comprehensive loss for the year	<u>(223,482)</u>	<u>(68,856)</u>
Attributable to:		
Equity shareholders of the Company	(223,804)	(64,857)
Non-controlling interests	<u>322</u>	<u>(3,999)</u>
Total comprehensive loss for the year	<u>(223,482)</u>	<u>(68,856)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	<i>NOTES</i>	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		51,642	58,026
Right-of-use assets		3,060	–
Prepaid land lease payments		–	2,315
Interests in associates		50,580	9,382
Goodwill		–	5,942
Other intangible assets		29,632	886
Prepayments for intangible assets		–	17,000
Financial assets at fair value through other comprehensive income		3,000	–
Property development project		185,797	–
Other non-current assets		1,972	192,769
Deferred tax assets		6,312	4,117
		331,995	290,437
CURRENT ASSETS			
Inventories		14,849	55,573
Trade and other receivables	9	373,740	422,193
Prepayments and deposits paid		179,179	259,054
Amount due from an associate		–	10,834
Amounts due from related parties		85	1,078
Pledged bank deposits		9,893	41,111
Cash and cash equivalents		16,125	48,831
		593,871	838,674
CURRENT LIABILITIES			
Trade and other payables	10	111,979	94,277
Bank borrowings		6,000	35,824
Amount due to a shareholder		283	3,413
Amounts due to associates		2	–
Amounts due to related parties		144	144
Amounts due to non-controlling interests		–	5,143
Corporate bonds payable		26,871	5,074
Income tax payable		8,695	13,930
		153,974	157,805
NET CURRENT ASSETS		439,897	680,869
TOTAL ASSETS LESS CURRENT LIABILITIES		771,892	971,306

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
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
	<u>88,310</u>	<u>114,833</u>
NET ASSETS	<u>683,582</u>	<u>856,473</u>
CAPITAL AND RESERVES		
Share capital	1,216	1,116
Reserves	<u>696,267</u>	<u>869,580</u>
Total equity attributable to equity shareholders of the Company	697,483	870,696
Non-controlling interests	<u>(13,901)</u>	<u>(14,223)</u>
TOTAL EQUITY	<u>683,582</u>	<u>856,473</u>

Notes:

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The 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 (the “**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 <i>RMB'000</i>	2018 <i>RMB'000</i>
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							Total RMB'000
	Pharmaceutical distribution				Sub-total RMB'000	Self-operated retail pharmacies RMB'000	Pharmaceutical manufacturing RMB'000	
	Sales to wholesalers RMB'000	Sales to franchise retail pharmacy chain stores RMB'000	Sales to hospitals and other medical institutions in rural areas RMB'000	Others RMB'000				
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	<u>690,859</u>	<u>39,218</u>	<u>58,905</u>	<u>9,508</u>	<u>798,490</u>	<u>1,255</u>	<u>45,994</u>	<u>845,739</u>
Reportable segment profit/(loss)	<u>8,823</u>	<u>2,027</u>	<u>9,135</u>	<u>1,565</u>	<u>21,550</u>	<u>(463)</u>	<u>20,833</u>	<u>41,920</u>
Other segment information								
Depreciation and amortisation	-	-	-	-	-	-	114	114
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114</u>	<u>114</u>
	Year ended 31 December 2018							Total RMB'000
	Pharmaceutical distribution				Sub-total RMB'000	Self-operated retail pharmacies RMB'000	Pharmaceutical manufacturing RMB'000	
	Sales to wholesalers RMB'000	Sales to franchise retail pharmacy chain stores RMB'000	Sales to hospitals and other medical institutions in rural areas RMB'000	Others RMB'000				
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	<u>566,732</u>	<u>137,835</u>	<u>49,655</u>	<u>5,121</u>	<u>759,343</u>	<u>3,882</u>	<u>63,511</u>	<u>826,736</u>
Reportable segment profit	<u>13,301</u>	<u>10,002</u>	<u>5,699</u>	<u>723</u>	<u>29,725</u>	<u>1,425</u>	<u>29,111</u>	<u>60,261</u>
Other segment information								
Depreciation and amortisation	-	-	-	-	-	-	675	675
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>675</u>	<u>675</u>

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>	2018 <i>RMB'000</i>
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	41,920	60,261
Elimination of inter-segment loss	<u>12</u>	<u>25</u>
Gross profit derived from external customers	41,932	60,286
Other income and gains	22,285	19,193
Other net losses	(197,289)	(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>650</u>	<u>1,259</u>
Consolidated loss before tax	<u>(190,482)</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>
Revenue generated from pharmaceutical distribution		
Customer A	135,331	N/A
Customer B	107,706	N/A
Customer C	86,870	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 LOSSES

(a) Other income and gains

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
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	2,093	2,414
	<u>22,285</u>	<u>19,193</u>

(b) Other net losses

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Net foreign exchange losses	–	1,456
Impairment loss on:		
Inventories	463	–
Trade receivables	118,469	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
Intangible assets	4,090	–
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)
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	–
	<u>197,289</u>	<u>42,661</u>

4. FINANCE COSTS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Interest on:		
Bank borrowings	1,242	241
Corporate bonds payable	10,421	9,438
Convertible bonds	–	5,558
Lease liabilities	85	–
Other borrowings	107	125
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>	2018 <i>RMB'000</i>
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
Depreciation of property, plant and equipment	3,517	5,450
Depreciation of right-of-use assets	1,594	–
Amortisation of prepaid land lease payments	–	205
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>11,855</u>	<u>15,668</u>

Notes:

- (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>	2018 <i>RMB'000</i>
Current tax		
PRC Enterprise Income Tax	5,112	12,680
Deferred tax		
Origination and reversal of temporary differences	<u>(2,195)</u>	<u>2,681</u>
	<u><u>2,917</u></u>	<u><u>15,361</u></u>

Notes:

- (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 RMB193,721,000 (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	2018 <i>RMB'000</i>
Loss for the purpose of basic earnings per share	(193,721)	(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><u>N/A</u></u>	<u><u>N/A</u></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 year ended 31 December 2019 is not presented as there were no other potential ordinary shares in issue for the year ended 31 December 2019. Diluted loss per share for the year ended 31 December 2019 is not presented as the effects arising from the convertible bonds in issue during that year are considered anti-dilutive for the year.

9. TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	RMB'000
Trade and commercial bills receivables	291,586	346,191
Bank bills receivables	1,494	1,325
Other receivables	<u>80,660</u>	<u>74,677</u>
	<u><u>373,740</u></u>	<u><u>422,193</u></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>	2018 <i>RMB'000</i>
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	182,099	68,281
	<u>291,586</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 <i>RMB'000</i>	2018 <i>RMB'000</i>
Trade payables (<i>note (i)</i>)	35,205	30,428
Bills payables	19,788	11,730
Lease liabilities	861	–
Salaries, wage and welfare payable	11,396	9,863
Contract liabilities (<i>note (ii)</i>)	13,796	20,055
Accrued corporate bond interest	6,584	–
Other payables	24,349	22,201
	<u>111,979</u>	<u>94,277</u>

Notes:

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

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
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

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

- (ii) The Group received deposits from customers for sales of pharmaceutical products as provided in contracts which is regarded as contract liabilities.

11. EVENTS AFTER THE REPORTING PERIOD

On 26 May 2020, the Group disposed of its 5% unlisted equity interest in 武漢太福製藥有限公司 (for identification purpose only, Wuhan Taifu Pharmaceutical Co. Ltd.) (“**Wuhan Taifu**”) to an independent third party at a consideration of RMB3,000,000.

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.

MATERIAL DIFFERENCES BETWEEN THE ANNUAL RESULTS IN THE UNAUDITED RESULTS ANNOUNCEMENT AND THE ANNUAL RESULTS IN THIS ANNOUNCEMENT

Taking into account that the financial information contained in the Unaudited Results Announcement has not been audited and has not been agreed with the Company's auditors as at the date of its publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to the material differences between the annual results set out in the Unaudited Results Announcement and the annual results disclosed in this announcement, the principal details and reasons for which pursuant to Rule 13.49(3)(ii)(b) of the Listing Rules are set out below:

	Audited results RMB'000	Unaudited results RMB'000	Differences RMB'000	<i>Explanatory notes</i>
Revenue	845,448	845,448	–	
Cost of sales	<u>(803,516)</u>	<u>(803,516)</u>	<u>–</u>	
Gross profit	41,932	41,932	–	
Other income and gains	22,285	22,283	2	
Other net losses	(197,289)	(117,177)	(80,112)	<i>Note (ii),(iii)</i>
Selling and distribution expenses	(10,976)	(10,976)	–	
General and administrative expenses	(35,229)	(35,229)	–	
Finance costs	(11,855)	(11,855)	–	
Share of profit of associates	<u>650</u>	<u>5,394</u>	<u>(4,744)</u>	<i>Note (i)</i>
Loss before tax	<u>(190,482)</u>	<u>(105,628)</u>	<u>(84,854)</u>	
Income tax expense	<u>(2,917)</u>	<u>(3,530)</u>	<u>613</u>	
Loss for the year	<u>(193,399)</u>	<u>(109,158)</u>	<u>(84,241)</u>	
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 PRC	(8,083)	(6,903)	(1,180)	
Item that may not be reclassified subsequently to profit or loss:				
Loss on change in fair value of financial assets at fair value through other comprehensive income	<u>(22,000)</u>	<u>–</u>	<u>(22,000)</u>	<i>Note (iv)</i>
Total comprehensive loss for the year	<u><u>(223,482)</u></u>	<u><u>(116,061)</u></u>	<u><u>(107,421)</u></u>	

	Audited results	Unaudited results	Differences	<i>Explanatory notes</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
NON-CURRENT ASSETS				
Property, plant and equipment	51,642	51,642	–	
Right-of-use assets	3,060	3,060	–	
Prepaid land lease payments	–	–	–	
Interests in associates	50,580	56,503	(5,923)	<i>Note (i)</i>
Goodwill	–	–	–	
Other intangible assets	29,632	33,722	(4,090)	<i>Note (iii)</i>
Prepayments for intangible assets	–	–	–	
Financial assets at fair value through other comprehensive income	3,000	25,000	(22,000)	<i>Note (iv)</i>
Property development project	185,797	185,797	–	
Other non-current assets	1,972	1,972	–	
Deferred tax assets	6,312	5,698	614	
	<u>331,995</u>	<u>363,394</u>	<u>(31,399)</u>	
CURRENT ASSETS				
Inventories	14,849	14,849	–	
Trade and bills receivables	293,080	369,102	(76,022)	<i>Note (ii)</i>
Other receivables	80,660	80,503	157	
Prepayments and deposits paid	179,179	181,301	(2,122)	
Amount due from an associate	–	–	–	
Amounts due from related parties	85	508	(423)	
Pledged bank deposits	9,893	9,893	–	
Cash and cash equivalents	16,125	16,125	–	
	<u>593,871</u>	<u>672,281</u>	<u>(78,410)</u>	
CURRENT LIABILITIES				
Trade and other payables	111,979	114,613	(2,634)	
Bank borrowings	6,000	6,000	–	
Amount due to a shareholder	283	–	283	
Amounts due to associates	2	2	–	
Amounts due to related parties	144	180	(36)	
Amounts due to non-controlling interests	–	–	–	
Corporate bonds payable	26,871	26,871	–	
Income tax payable	8,695	8,695	–	
	<u>153,974</u>	<u>156,361</u>	<u>(2,387)</u>	
NET CURRENT ASSETS	<u>439,897</u>	<u>515,920</u>	<u>(76,023)</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>771,892</u>	<u>879,314</u>	<u>(107,422)</u>	

	Audited results RMB'000	Unaudited results RMB'000	Differences RMB'000	<i>Explanatory notes</i>
NON-CURRENT LIABILITIES				
Deferred income – government grant	24,053	24,053	–	
Corporate bonds payable	64,143	64,143	–	
Lease liabilities	114	114	–	
Deferred tax liabilities	–	–	–	
	<u>88,310</u>	<u>88,310</u>	<u>–</u>	
NET ASSETS	<u>683,582</u>	<u>791,004</u>	<u>(107,422)</u>	
CAPITAL AND RESERVES				
Share capital	1,216	1,216	–	
Reserves	<u>696,267</u>	<u>803,689</u>	<u>(107,422)</u>	
Total equity attributable to equity shareholders of the Company	697,483	804,905	(107,422)	
Non-controlling interests	<u>(13,901)</u>	<u>(13,901)</u>	<u>–</u>	
TOTAL EQUITY	<u>683,582</u>	<u>791,004</u>	<u>(107,422)</u>	

Notes:

(i) Decrease of share of profit from interests in associates of RMB5,923,000

The unaudited amount of interests in associates was RMB56,503,000 and the audited amount is RMB50,580,000 which represent the difference of interests in associates of RMB5,923,000. Such difference was due to the adjustment of the fair value of the properties held by the associates.

(ii) Further impairment on trade and bills receivables of RMB76,022,000

The trade and bills receivables shown in the Unaudited Results Announcement amounted to RMB369,102,000 and further impairment loss of RMB76,022,000 was recognised in the audited results, which was included in other net losses. Taking into account that there was no significant subsequent settlement for long outstanding trade and bills receivables balance during the period from the date of the Unaudited Results Announcement to the date of the approval of the consolidated financial statements of the Group for the year ended 31 December 2019, management of the Group assess that there is a risk of non-recovery of these outstanding trade and bills receivables and consider further impairment has to be made.

(iii) Impairment on intangible assets of RMB4,090,000

During the year ended 31 December 2019, the Group acquired 3 patents at total costs of RMB35,000,000. Based on the valuation from an independent valuer, the value-in-use of these 3 patents at 31 December 2019 was only RMB28,898,000 which was lower than the carrying amount of these patents of RMB32,988,000 as disclosed in the Unaudited Results Announcement. An impairment of RMB4,090,000 for these patents therefore has been recognised in the profit or loss and was included in other net losses.

(iv) Loss on change in fair value of financial assets at fair value through other comprehensive income of RMB22,000,000

During the year ended 31 December 2019, the Group completed the acquisition of 5% unlisted equity interest in Wuhan Taifu at a consideration of RMB25,000,000. Based on a valuation from an independent valuers, the fair value of these unlisted equity interest as at 31 December 2019 was only RMB3,000,000 and therefore a loss on change in fair value of RMB22,000,000 has been recognized in the financial assets at fair value through other comprehensive income which was included in investment revaluation reserve.

Save for the material differences disclosed above and the corresponding changes thereto, there are no material changes to the financial information disclosed in the Unaudited Results Announcement.

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 merger and acquisition 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 (for identification purpose only, 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 RMB197.3 million for the year ended 31 December 2019, representing an increase of approximately 362.5% 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 RMB125.7 million during the year ended 31 December 2019 as compared to the recognition of impairment loss on trade and other receivables of 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. Subsequent to the date of the Unaudited Results Announcement, the management of the Group has communicated with the customers with long overdue receivables and find out that operation of these customers was adversely affected by the outbreak of the novel coronavirus (COVID-19) epidemic (“**Epidemic**”) and economic downturn in the PRC. In addition, there was no significant subsequent settlement for long outstanding trade receivables balance during the period from the date of the Unaudited Results Announcement to the date of the approval of the audited consolidated financial statement. These customers are facing capital and cash flow difficulties and after due and careful consideration, management of the Group assess that there is a risk of non-recovery of these outstanding trade receivables.

The increase in other net losses for the year ended 31 December 2019 is offset by the absence of loss on issue of convertible bonds in the year ended 31 December 2019, as compared to the loss on issue of convertible bonds of RMB42.0 million recorded in the year ended 31 December 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 296.4% from RMB48.0 million for the year ended 31 December 2018 to RMB190.5 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 expense decreased from RMB15.4 million for the year ended 31 December 2018 to RMB2.9 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 205.0% from RMB63.4 million for the year ended 31 December 2018 to RMB193.4 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 22.9% for the year ended 31 December 2019.

Loss on change in fair value of financial assets at fair value through other comprehensive income

In January 2019, the Group acquired 5% unlisted equity interest in Wuhan Taifu at a consideration of RMB25,000,000. Wuhan Taifu is a company engaged in manufacturing of drugs with factory located in Wuhan City of the PRC. Previously, Wuhan Taifu had a plan to actively explore and develop the market of the PRC with its technology and facilities of drug manufacturing. However, due to the outbreak of the Epidemic in Wuhan City in December 2019, the factory of Wuhan Taifu ceased operations for several months and only partially resumed operation recently. The upstream and downstream industries of Wuhan Taifu are adversely affected. The Group has engaged an independent valuer to perform valuation which shows the fair value of these unlisted equity interest as at 31 December 2019 was only RMB3,000,000 and therefore a loss on change in fair value of RMB22,000,000 has been recognized in the financial assets at fair value through other comprehensive income in the audited results of the Company for the year ended 31 December 2019.

The acquisition of 5% unlisted equity interest in Wuhan Taifu has resulted in significant net losses and serious financial burden to the Group and in order to prevent further losses to the Group, the management of the Group decided to dispose of its equity interest in Wuhan Taifu in May 2020 at the consideration of RMB3,000,000.

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 year, the Group made its first step to explore and invest in the Malaysia 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 RMB439.9 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 3.86 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) (the “**Shares**”). In each of 2016 and 2018, the Company has granted to certain eligible persons share options (the “**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, and repayments of principal and interests by installments.

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 Awesome Applause Sdn. Bhd., a company incorporated in Malaysia. Awesome Applause Sdn. Bhd. has signed agreements for the purchase of 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 was then 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 Massive Goodwill Sdn. Bhd., a company incorporated in Malaysia. Massive Goodwill Sdn. Bhd. has signed agreements for the purchase of 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 (the “**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	Utilised (as at 31 December 2019)
	<i>HK\$ million</i>	<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. During the year ended 31 December 2019 and up to 17 June 2020, Mr. Chen Yenfei was the chairman and chief executive officer of the Company. He has extensive experience in medicine industry and was 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.

As disclosed in the announcement of the Company dated 22 June 2020, the office of Mr. Chen Yenfei as the chairman of Board and an executive Director was vacated on 18 June 2020. Mr. Chen Yenfei also ceased to be chief executive officer of the Company, the chairman of each of the nomination committee and the corporate governance committee of the Board and a member of the remuneration committee of the Board on 18 June 2020. Following the vacation of office of Mr. Chen Yenfei, the Board will consider suitable replacement candidate(s) for the position(s) of the chairman and the chief executive officer of the Company as soon as practicable.

The Board currently comprises two 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 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 (the “**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.

REVIEW OF THIS ANNOUNCEMENT BY AUDITORS OF THE COMPANY

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Group's auditors, CCTH CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2019. The work performed by CCTH CPA Limited 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 CCTH CPA Limited on this announcement.

PUBLICATION OF ANNUAL REPORT

The Company expects to publish and despatch its annual report for the year ended 31 December 2019 to the shareholders of the Company on or before 30 June 2020.

By order of the Board of Directors
Pa Shun International Holdings Limited
Mr. Wu Guohua
Non-executive Director

Hong Kong, 22 June 2020

As at the date of this announcement, the executive Directors are 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.