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百信集团
PASHUN GROUP

Pa Shun Pharmaceutical International Holdings Limited
百信藥業國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 574)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

The board of directors (the “**Board**”) of Pa Shun Pharmaceutical International Holdings Limited (the “**Company**”) is pleased to announce the interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2015 together with the comparative figures for the corresponding period in 2014. The Group’s interim results are unaudited, but have been reviewed by the audit committee of the Company.

INTERIM RESULTS HIGHLIGHTS

	Unaudited		Change (%)
	Six months ended 30 June		
	2015	2014	
	RMB’000	RMB’000	
Revenue	451,624	402,440	12.2
Gross profit	98,355	96,130	2.3
Profit from operations	61,984	59,435	4.3
Profit for the period	82,753	20,153	310.6
Profit attributable to equity shareholders of the Company	82,915	20,083	312.9
Basic earnings per share – RMB cents	14.89	3.82	289.8

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2015 – UNAUDITED

		Six months ended 30 June	
	<i>Note</i>	2015	2014
		RMB'000	RMB'000
Revenue	<i>3</i>	451,624	402,440
Cost of sales		<u>(353,269)</u>	<u>(306,310)</u>
Gross profit		98,355	96,130
Other revenue	<i>4</i>	11,393	8,563
Other net loss		–	(1,989)
Selling and distribution expenses		(16,742)	(17,456)
General and administrative expenses		<u>(31,022)</u>	<u>(25,813)</u>
Profit from operations		61,984	59,435
Finance costs	<i>5(a)</i>	(2,162)	(4,561)
Change in fair value on convertible redeemable preferred shares	<i>11</i>	<u>37,471</u>	<u>(20,204)</u>
Profit before taxation	<i>5</i>	97,293	34,670
Income tax	<i>6</i>	<u>(14,540)</u>	<u>(14,517)</u>
Profit for the period		<u>82,753</u>	<u>20,153</u>
Attributable to:			
Equity shareholders of the Company		82,915	20,083
Non-controlling interests		<u>(162)</u>	<u>70</u>
Profit for the period		<u>82,753</u>	<u>20,153</u>
Earnings per share (in RMB cents)	<i>7</i>		
Basic		<u>14.89</u>	<u>3.82</u>
Diluted		<u>5.93</u>	<u>3.82</u>

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2015 – UNAUDITED

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	82,753	20,153
Other comprehensive income for the period, net of nil income tax		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities outside the PRC	<u>184</u>	<u>(5,418)</u>
Total comprehensive income for the period	<u>82,937</u>	<u>14,735</u>
Attributable to:		
Equity shareholders of the Company	83,099	14,665
Non-controlling interests	<u>(162)</u>	<u>70</u>
Total comprehensive income for the period	<u>82,937</u>	<u>14,735</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AT 30 JUNE 2015 – UNAUDITED

	<i>Note</i>	30 June 2015 RMB'000	31 December 2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		83,037	80,905
Prepaid land lease payments		2,304	2,359
Intangible assets		5,759	6,024
Goodwill		1,295	1,295
Prepayment for intangible asset		20,000	20,000
Deferred tax assets		7,568	6,051
Other non-current assets		35,720	22,177
		<hr/> 155,683 <hr/>	<hr/> 138,811 <hr/>
CURRENT ASSETS			
Inventories		96,657	69,128
Trade and other receivables	9	426,936	363,799
Amount due from the Controlling Shareholder		1,983	675
Amount due from a related party		–	340
Pledged bank deposits		13,257	74,180
Cash and cash equivalents		244,550	67,059
		<hr/> 783,383 <hr/>	<hr/> 575,181 <hr/>
CURRENT LIABILITIES			
Trade and other payables	10	150,455	184,332
Bank borrowings		30,000	50,000
Convertible redeemable preferred shares	11	–	220,355
Amount due to a director		9	210
Amounts due to other related parties		–	232
Current taxation		19,341	13,472
		<hr/> 199,805 <hr/>	<hr/> 468,601 <hr/>
NET CURRENT ASSETS		<hr/> 583,578 <hr/>	<hr/> 106,580 <hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 739,261 <hr/>	<hr/> 245,391 <hr/>

		30 June	31 December
		2015	2014
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES			
Convertible redeemable preferred shares	<i>11</i>	–	36,757
Deferred income – government grant		<u>26,913</u>	<u>27,354</u>
		<u>26,913</u>	<u>64,111</u>
NET ASSETS			
		<u>712,348</u>	<u>181,280</u>
CAPITAL AND RESERVES			
Share capital		801	1
Reserves		<u>710,648</u>	<u>180,218</u>
Total equity attributable to equity shareholders of the Company		711,449	180,219
Non-controlling interests		<u>899</u>	<u>1,061</u>
TOTAL EQUITY		<u>712,348</u>	<u>181,280</u>

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

This condensed financial statements has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). It was authorised for issue on 28 August 2015.

The condensed financial statements has have been prepared in accordance with the same accounting policies adopted in the financial information of the Company for each of the years ended 31 December 2012, 2013 and 2014, for inclusion in the prospectus of the Company, dated 9 June 2015 (the “**Prospectus**”), except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of these changes in accounting policies are set out in note 2. The condensed financial statements is unaudited but have been reviewed by the Company’s audit committee.

The preparation of condensed financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKICPAs that are first effective for the current accounting period of the Group and the Company.

Amendments to HKFRS	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRS	Annual Improvements to HKFRSs 2011-2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the Group’s results and financial position for the current or prior periods.

The Group has not early adopted the new HKFRSs that have been issued but are not yet effective. The directors of the Company are currently assessing the impact of these new HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group’s results of operations and financial position.

3. REVENUE AND SEGMENT REPORTING

a) Revenue

The principal activities of the Group are pharmaceutical wholesale, self-operated retail pharmacies and pharmaceutical manufacturing in the PRC.

Revenue represents the sales value of goods supplied to customers. The amount of each significant category of revenue is as follows:

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Pharmaceutical distribution	365,942	324,897
Self-operated retail pharmacies	8,104	14,263
Pharmaceutical manufacturing	<u>77,578</u>	<u>63,280</u>
	<u>451,624</u>	<u>402,440</u>

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 of the Company, being the chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Pharmaceutical distribution: this segment generates revenue primarily from sales 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 in the factories of the Group.

The Group's revenue and operating profit were entirely derived from activities of pharmaceutical distribution, self-operated retail pharmacies and pharmaceutical manufacturing in the PRC and the principal assets employed by the Group were located in the PRC for the six months ended 30 June 2015 and 2014. Accordingly, no analysis by geographical segments has been provided for the six months ended 30 June 2015 and 2014.

No analysis of the Group's assets and liabilities by operating segments was regularly provided to the chief operating decision maker for review during the six months ended 30 June 2015 and 2014 for the purposes of resource allocation and performance assessment.

(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 six months ended 30 June 2015 and 2014 is set out below.

Six months ended 30 June 2015							
	Pharmaceutical distribution			Sub-total RMB'000	Self-operated retail pharmacies RMB'000	Pharmaceutical manufacturing RMB'000	Total 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				
Revenue from external customers	230,032	73,065	62,845	365,942	8,104	77,578	451,624
Inter-segment revenue	-	1,122	-	1,122	-	3,218	4,340
Reportable segment revenue	<u>230,032</u>	<u>74,187</u>	<u>62,845</u>	<u>367,064</u>	<u>8,104</u>	<u>80,796</u>	<u>455,964</u>
Reportable segment profit	<u>7,671</u>	<u>22,975</u>	<u>13,274</u>	<u>43,920</u>	<u>2,268</u>	<u>52,358</u>	<u>98,546</u>
Six months ended 30 June 2014							
	Pharmaceutical distribution			Sub-total RMB'000	Self-operated retail pharmacies RMB'000	Pharmaceutical manufacturing RMB'000	Total 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				
Revenue from external customers	189,044	102,936	32,917	324,897	14,263	63,280	402,440
Inter-segment revenue	-	2,273	-	2,273	-	11,373	13,646
Reportable segment revenue	<u>189,044</u>	<u>105,209</u>	<u>32,917</u>	<u>327,170</u>	<u>14,263</u>	<u>74,653</u>	<u>416,086</u>
Reportable segment profit	<u>9,680</u>	<u>32,213</u>	<u>3,872</u>	<u>45,765</u>	<u>4,557</u>	<u>46,989</u>	<u>97,311</u>

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	455,964	416,086
Elimination of inter-segment revenue	<u>(4,340)</u>	<u>(13,646)</u>
Consolidated revenue (note 3(a))	<u>451,624</u>	<u>402,440</u>
Profit		
Reportable segment profit	98,546	97,311
Elimination of inter-segment profits	<u>(191)</u>	<u>(1,181)</u>
Reportable segment profit derived		
from external customers	98,355	96,130
Other revenue	11,393	8,563
Other net loss	–	(1,989)
Selling and distribution expenses	(16,742)	(17,456)
General and administrative expenses	(31,022)	(25,813)
Finance costs	(2,162)	(4,561)
Change in fair value on convertible redeemable preferred shares	<u>37,471</u>	<u>(20,204)</u>
Consolidated profit before taxation	<u>97,293</u>	<u>34,670</u>

4. OTHER REVENUE

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Franchise fee	8,057	6,104
Bank interest income	2,049	686
Rental income	409	557
Deferred income – government grant	441	441
Others	437	775
	<u>11,393</u>	<u>8,563</u>

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

a) Finance costs

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest on bank borrowings wholly repayable within 5 years	1,797	2,277
Bills charges	250	1,897
Other bank charges	115	387
	<u>2,162</u>	<u>4,561</u>

b) Staff costs (including directors' remuneration)

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits	11,311	10,429
Contributions to defined contribution retirement plans	2,524	1,526
	<u>13,835</u>	<u>11,955</u>

c) Other items

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Amortisation of intangible assets	265	307
Amortisation of prepaid land lease payments	55	55
Depreciation of property, plant and equipment	4,347	5,702
Operating lease charges in respect of property rentals	4,313	6,382
Provision for impairment of trade receivables	975	204
Write off of other receivables	–	1,022
Cost of inventories [#]	<u>353,269</u>	<u>306,310</u>

[#] *Cost of inventories for the six months ended 30 June 2015 include RMB1,725,000 (six months ended 30 June 2014: RMB1,044,000), relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amounts are also included in the respective total amounts disclosed separately above.*

6. INCOME TAX

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Current tax – PRC Corporation Income Tax		
Provision for the year	16,056	15,171
Deferred tax		
Origination and reversal of temporary differences	<u>(1,516)</u>	<u>(654)</u>
	<u>14,540</u>	<u>14,517</u>

- i) Pursuant to rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.
- ii) No Hong Kong Profits Tax for the six months ended 30 June 2014 and 2015 have been provided for in the consolidated statements of profit or loss as the Group has no estimated assessable profits arising in Hong Kong during the periods.
- iii) The Group's PRC subsidiaries are subject to PRC Corporate Income Tax at the statutory rate of 25%.

Toyot Pa Shun Medicine Factory Company Limited (“**Toyot Pa Shun**”), a wholly-owned subsidiary of the Group, applied for preferential income tax treatment under the Notice on the Issues of Tax Policies for Thorough Implementation of Western Development Strategy. Toyot Pa Shun obtained the approval from local tax authority and became entitled to a preferential income tax rate of 15% from 1 January 2011 to 31 December 2020.

7. EARNINGS PER SHARE

a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2015 is based on the profit attributable to equity shareholders of the Company of RMB82,915,000 (six months ended 30 June 2014: RMB20,083,000) and the weighted average number of approximately 556,998,000 ordinary shares (2014: approximately 525,542,000 shares, after adjusting for the capitalisation issue in 2015).

The weighted average number of ordinary shares during the six months ended 30 June 2015 is based on the assumption that (i) 525,542,000 ordinary shares of the Company were in issue, comprising 702,720 ordinary shares in issue and 524,839,280 ordinary shares issued pursuant to the capitalization issue, as if these shares were outstanding throughout the period from 1 January 2015 to the date of listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19 June 2015 ("Date of Listing"), and (ii) 224,458,000 ordinary shares issued upon the conversion of Series A convertible redeemable preferred shares and Series B convertible redeemable preferred shares to ordinary shares (adjusted for the capitalization issue) on the Date of Listing, and 250,000,000 ordinary shares issued by the way of an initial public offering (the "IPO").

The weighted average number of ordinary shares during the six months ended 30 June 2014 is based on the assumption that 525,542,000 ordinary shares of the Company were in issue, comprising 702,720 ordinary shares in issue and 524,839,280 ordinary shares issued pursuant to the capitalization issue, as if these shares were outstanding throughout that period.

	Six months ended 30 June	
	2015	2014
	'000	'000
Weighted average number of ordinary shares		
Issued ordinary shares at the date of the prospectus	703	703
Effect of capitalisation issue	524,839	524,839
Effect of issuance of new shares under the IPO	16,575	–
Effect of conversion of Series A convertible redeemable preferred shares to ordinary shares (adjusted for the capitalization issue)	12,793	–
Effect of conversion of Series B convertible redeemable preferred shares to ordinary shares (adjusted for the capitalization issue)	2,088	–
	<hr/>	<hr/>
Weighted average number of ordinary shares at 30 June	<u>556,998</u>	<u>525,542</u>

b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2015 and 2014 is based on the profit attributable to equity shareholders of the Company of RMB45,444,000 and RMB20,083,000 and the weighted average number of ordinary shares of approximately 766,575,000 and 525,542,000 shares, respectively, in issue during each reporting period, calculated as follows:

(i) Profits attributable to ordinary equity shareholders of the Company (diluted)

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Profit attributable to equity shareholders of the Company	82,915	20,083
After tax effect of change in fair value on convertible redeemable preferred shares	<u>(37,471)</u>	<u>–</u>
Profit attributable to equity shareholders of the Company (diluted)	<u>45,444</u>	<u>20,083</u>

(ii) Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2015	2014
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares	556,998	525,542
Effect of conversion of Series A convertible redeemable preferred shares (adjusted for the capitalization issue)	180,167	–
Effect of conversion of Series B convertible redeemable preferred shares (adjusted for the capitalization issue)	<u>29,410</u>	<u>–</u>
Weighted average number of shares (diluted)	<u>766,575</u>	<u>525,542</u>

For the six months ended 2014, diluted earnings per share is the same as basic earnings per share because the effect of conversion of the Company's outstanding convertible redeemable preferred shares during the reporting period was anti-dilutive. Accordingly, they were not included in the calculation of diluted earnings per share in the period.

8. DIVIDENDS

The directors do not recommend the payment of any interim dividend for the interim period (2014: nil).

9. TRADE AND OTHER RECEIVABLES

	As of 30 June 2015 <i>RMB'000</i>	As of 31 December 2014 <i>RMB'000</i>
Trade receivables (<i>see note (a) below</i>)	232,369	218,563
Commercial bills receivables (<i>see note (a) below</i>)	–	20,500
<i>Less: allowance for doubtful debts (see note (a) below)</i>	<u>(10,229)</u>	<u>(9,254)</u>
	222,140	229,809
Bank bills receivables (<i>see note (b) below</i>)	56,004	5,507
Advance payments to suppliers	73,242	91,123
Other deposits, prepayments and receivables	<u>75,550</u>	<u>37,360</u>
	<u>426,936</u>	<u>363,799</u>

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

a) **Ageing analysis of trade receivables and commercial bills receivables**

As of the end of the reporting period, the ageing analysis of trade receivables and commercial bills receivables (which are included in trade and other receivables), based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	As of 30 June 2015 RMB'000	As of 31 December 2014 RMB'000
Within 1 month	88,039	80,229
1 to 3 months	110,998	98,686
4 to 6 months	15,633	41,791
Over 6 months	7,470	9,103
	<hr/>	<hr/>
Trade receivables and commercial bills receivables, net of allowance for doubtful debts	222,140	229,809
	<hr/> <hr/>	<hr/> <hr/>

Trade receivables and commercial bills receivables are due within 180 days from the date of billing.

b) The ageing of bank bills receivables is within 180 days.

10. TRADE AND OTHER PAYABLES

	As of 30 June 2015 RMB'000	As of 31 December 2014 RMB'000
Trade creditors	39,084	28,617
Bills payables	44,187	107,524
Deposits received from customers	14,638	16,337
Salaries, wages and welfare payables	11,413	9,120
Other tax payables	5,497	8,080
Other payables and accrued expenses	35,636	14,654
	<hr/>	<hr/>
	150,455	184,332
	<hr/> <hr/>	<hr/> <hr/>

As of the end of each reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	As of 30 June 2015 <i>RMB'000</i>	As of 31 December 2014 <i>RMB'000</i>
Within 1 month	16,516	11,184
1 to 3 months	7,165	4,231
Over 3 months	15,403	13,202
	39,084	28,617

11. CONVERTIBLE REDEEMABLE PREFERRED SHARES

As of 31 December 2014, the Company had 257,280 Series A convertible redeemable preferred shares of par value of HK\$0.001 each (the “**Series A Shares**”) and 40,000 Series B convertible redeemable preferred shares of par value of HK\$0.001 each (the “**Series B Shares**”) in issue.

The Series A Shares and Series B Shares contain two components: a liability component and conversion option component.

The Group has elected to designate the Series A Shares and Series B Shares with embedded derivatives as financial liabilities at fair value through profit or loss on initial recognition. At the end of each reporting period subsequent to initial recognition, the entire Series A Shares and Series B Shares are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

The movements of the Series A Shares and Series B Shares are set out as below:

	<i>RMB'000</i>
As of 1 January 2015	257,112
Change in fair value	(37,471)
Exchange realignment	(324)
Conversion of Series A Shares and Series B Shares into ordinary shares	(219,317)
As of 30 June 2015	–

	<i>RMB'000</i>
As of 1 January 2014	218,090
Changes in fair value	20,204
Exchange realignment	<u>5,436</u>
As of 30 June 2014	<u><u>243,730</u></u>
	As of 31 December 2014
Analysed for reporting purpose as:	
Current liabilities	220,355
Non-current liabilities	<u>36,757</u>
	<u><u>257,112</u></u>

The Series A Shares and Series B Shares were all converted into ordinary shares upon the Company's IPO on 19 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2015, the Group recorded a total revenue of RMB451.6 million, representing an increase of approximately 12.2% from RMB402.4 million for the six months ended 30 June 2014. This increase was primarily due to growth in revenue from the Group's pharmaceutical distribution and pharmaceutical manufacturing segments, offset by the decrease in revenue from the Group's self-operated retail pharmacies segment.

Cost of Sales, Gross Profit and Gross Margin

The Group's cost of sales increased by approximately 15.3% from RMB306.3 million for the six months ended 30 June 2014 to RMB353.3 million for the six months ended 30 June 2015. This increase was primarily due to increases in cost of sales for the Group's pharmaceutical distribution segment and self-operated retail pharmacies segment.

The Group's gross profit increased by approximately 2.3% from RMB96.1 million for the six months ended 30 June 2014 to RMB98.4 million for the six months ended 30 June 2015. The Group's gross margin decreased from 23.9% for the six months ended 30 June 2014 to 21.8% for the six months ended 30 June 2015. Such decrease is primarily attributable to a change in the product mix for the Group's pharmaceutical distribution segment in order to capture more market share with increased sales volume.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by 4.1% from RMB17.5 million for the six months ended 30 June 2014 to RMB16.7 million for the six months ended 30 June 2015. This decrease was primarily due to (i) a decrease in rent and management fees and business promotion expenses due to the preparation of closure for some of the Group's retail pharmacy stores in Chengdu, which were partially offset by an increase in salary and welfare benefits due to the increase in the number of pharmacists employed by the Group and an increase in depreciation and amortization expenses in relation to the implementation of the "Remote Prescription Review" system. Upon installation of this system, one pharmacist is able to oversee 25 stores at the same time and provide prescription review and consulting services to end consumers at those stores, which we believe will enhance the operational efficiency of our retail pharmacy stores.

General and Administrative Expenses

The Group's general and administrative expenses increased by approximately 20.2% from RMB25.8 million for the six months ended 30 June 2014 to RMB31.0 million for the six months ended 30 June 2015. This increase was primarily due to an increase in the professional and audit fees in connection with the listing of the shares of the Company on the Stock Exchange, which were partially offset by a decrease in depreciation and amortization expenses that were higher for the six months ended 30 June 2014 due to disposals of the Group's old office buildings.

Other Revenue

Other revenue increased by 33.0% from RMB8.6 million for the six months ended 30 June 2014 to RMB11.4 million for the six months ended 30 June 2015. This increase was primarily due to (i) the increase in franchise fees as a result of the implementation of the "Remote Prescription Review" system and the increase in the total number of franchise retail pharmacy stores under the brand of the Group; and (ii) the increase in the Group's bank interest income from subscription funds during the IPO of the Group.

Profit from Operations and Operating Margin

As a result of the foregoing, the Group's profit from operations increased by approximately 4.3% from RMB59.4 million for the six months ended 30 June 2014 to RMB62.0 million for the six months ended 30 June 2015. The Group's operating margin decreased from 14.8% for the six months ended 30 June 2014 to 13.7% for the six months ended 30 June 2015.

Finance Costs

Finance costs decreased by approximately 52.6% from RMB4.6 million for the six months ended 30 June 2014 to RMB2.2 million for the six months ended 30 June 2015. This decrease was primarily due to the decrease in bills charges resulting from discount costs relating to the bills receivable of the Group and the decrease in interest expense relating to less bank borrowings.

Change in Fair Value on Convertible Redeemable Preferred Shares

The Company had fair value loss of convertible redeemable preferred shares of RMB20.2 million for the six months ended 30 June 2014 due to the increase in the equity value of the Company. Upon the completion of the IPO in June 2015, the Company's convertible redeemable preferred shares had automatically converted into our ordinary shares on a one-to-one basis, resulting in a fair value gain of RMB37.5 million for the six months ended 30 June 2015. There will be no fair value gain or loss associated with our convertible redeemable preferred shares for any financial period after the Date of Listing.

Profit before Taxation

Profit before income tax increased by approximately 180.6% from RMB34.7 million for the six months ended 30 June 2014 to RMB97.3 million for the six months ended 30 June 2015. This increase was primarily due to the significant gain from the change in fair value on convertible redeemable preferred shares, an increase in the Group's profit from operations, and a decrease in the finance costs of the Group.

Income Tax Expense

Income tax expense remains stable at RMB14.5 million for the six months ended 30 June 2014 and 30 June 2015.

Profit for the Year and Net Profit Margin

As a result of the foregoing, the Group's profit for the year increased by approximately 310.6% from RMB20.2 million for the six months ended 30 June 2014 to RMB82.8 million for the six months ended 30 June 2015. The Group's net profit margin increased from 5.0% for the six months ended 30 June 2014 to 18.3% for the six months ended 30 June 2015.

BUSINESS REVIEW AND OUTLOOK

The Group currently operates three major business segments, namely (1) pharmaceutical distribution, (2) self-operated retail pharmacies, and (3) pharmaceutical manufacturing.

Pharmaceutical Distribution

For the six months ended 30 June 2015, segment revenue from pharmaceutical distribution amounted to RMB367.1 million, representing an increase of approximately 12.2% from RMB327.2 million in the corresponding period of 2014. This increase was primarily due to (i) the expansion in market share attributable to growth in sales volume to wholesalers achieved by product mix adjustment and product promotion campaign; and (ii) increase in the Group's sales to hospitals and other medical institutions in rural areas as a result of our increased market development efforts, as partially offset by the decrease in revenue from sales to franchise retail pharmacy chain stores.

Self-operated Retail Pharmacies

As at 30 June 2015, the Group operated eight, twelve and seven retail pharmacies in Sichuan, Hebei and Hubei regions respectively. The self-operated retail pharmacies of the Group offered various types of products which included prescription drugs, over-the-counter medicines, healthcare products, medical products and medical devices. For the six months ended 30 June 2015, segment revenue from the self-operated retail pharmacies amounted to RMB8.1 million, representing a decrease of approximately 43.2% from RMB14.3 million in the corresponding period of 2014. Such decrease was mainly attributable to the overall layout replanning for the expansion and long-term development of the self-operated retail pharmacies segment, and the launch of an initiative to relocate or close down those self-operated retail pharmacies of which the profitability, upon assessment, was determined as below standard. Furthermore, some of the self-operated retail pharmacies were required to undergo internal restructure and reform in view of the newly promulgated and more stringent GSP standards.

Pharmaceutical Manufacturing

The Group established its production base in Chengdu, Sichuan, where it manufactures and offers six products, namely Zhenghonghua embrocation (正紅花油), Honghua embrocation (紅花油), Baihua embrocation (白花油), Compound Dexamethasone Acetate Cream (複方醋酸地塞米松乳膏), Antipruritic Ointment for Cicatrix (疤痕止癢軟化乳膏) and Ampicillin Capsules (氨苄西林膠囊). For the six months ended 30 June 2015, the segment revenue generated from pharmaceutical manufacturing business amounted to RMB80.8

million, representing an increase of approximately 8.2% from RMB74.7 million in the corresponding period of 2014. The growth was mainly attributable to the reshuffle exercise on the sales team of the Group during the first half of 2015, where some staff members in the sales team who had been responsible for out-of-province distribution business were reassigned to specifically handle sale of pharmaceutical products manufactured by the Group in order to strengthen the sale of such products.

Future Prospects

Notwithstanding the continuing slow down in economic growth of the PRC and that the pharmaceutical sector is under pressure from various aspects in operation, there should be plenty of opportunities in development ahead for the pharmaceutical industry in the PRC in view of the macro-economic conditions include, but not limited to, the accelerated aging population and substantial growth in national household disposable income. As a newly listed corporation on The Stock Exchange in 2015, leveraging on the proceeds from the IPO, the Group will strive to explore and identify new business opportunities with good potential of growth, thereby paving its path for long-term development.

To support the business expansion plans of the Group and meet its warehousing, logistics and distribution needs, the Group is planning to build a modernized pharmaceutical logistics center in Chengdu, Sichuan. It is expected that approvals from local government would be obtained and that construction work of the logistic centre buildings would be commenced in the first half of 2016.

On the self-operated retail pharmacies segment, the Group has been careful in selecting its store sites to maximize consumer traffic, store visibility and convenience for customers. On the other hand, the newly promulgated and effective GSP standards has brought both challenges and opportunities to the industry. The Group will closely monitor the development of the new regulation, and make relevant acquisitions or open new pharmacies in a prudent and progressive manner. The Group will continue to develop its retail pharmacies network and look for appropriate acquisition opportunities for suitable retail pharmacies.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The Group had total cash and cash equivalents of RMB244.6 million as at 30 June 2015 as compared to RMB67.1 million as at 31 December 2014.

The Group recorded net current assets of RMB583.6 million and RMB106.6 million as at 30 June 2015 and 31 December 2014 respectively. The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was 3.92 as at 30 June 2015, as compared to 1.23 as at 31 December 2014.

As at 30 June 2015, the total amount of bank loans was RMB30.0 million, as compared to RMB50.0 million as at 31 December 2014.

CONTINGENT LIABILITIES

As at 30 June 2015, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the directors of the Company to be pending or threatened against any member of the Group.

FOREIGN EXCHANGE RISKS

The functional currency of the Group is Renminbi while a portion of funds raised by the Group from the IPO 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 dollar. 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 in Renminbi, thus the Group is not exposed to any significant foreign exchange risks.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2015, the Group did not make any significant investments, acquisitions or disposals.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Company's ordinary shares were listed on the Main Board of the Stock Exchange on 19 June 2015. The total net proceeds from the IPO amounted to approximately HK\$294.5 million (equivalent to approximately RMB235.6 million). As of June 30, 2015, the Company did not use any of the proceeds from the IPO, and all the proceeds were deposited in licensed banks in Hong Kong and PRC.

HUMAN RESOURCES

As at 30 June 2015, the Group had a total of 440 staff, primarily in the PRC. The total staff cost was RMB13.8 million for the first half of 2015.

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 offer competitive remuneration packages and incentives to all employees. The Group regularly reviews its human resources policies for addressing corporate development needs.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2015.

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 of the Listing Rules as its own code of corporate governance. From the date of listing on the Stock Exchange and up to the date of this announcement, the Company has complied with the code provisions set out in the CG Code, expect for the code provision A.2.1 of the CG Code.

Code provision A.2.1 of the CG Code stipulates that the notes of chairman and chief executive officer 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 is the chairman and chief executive officer of our Group. He has extensive experience in medicine industry and is responsible for the overall corporate strategies, planning and business management of our Group. Our 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 our Group. The balance of power and authorities is ensured by the operation of our Board and our senior management, which comprise experienced and high caliber individuals. Our Board currently comprises four executive Directors, two 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 include (but without limitation) 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 of the Company, namely, Mr. Liu Liangzhong, Mr. Min Feng and Mr. Wong Tak Shing. 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 interim financial information for the six months ended 30 June 2015.

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

All directors have confirmed that they complied with the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules throughout the reporting period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

By order of the Board of Directors
Pa Shun Pharmaceutical International Holdings Limited
Mr. Chen Yenfei
陳燕飛
Chairman

Hong Kong, 28 August 2015

As at the date of this announcement, the executive Directors are Mr. Chen Yenfei, Mr. Su Si, Mr. Shen Shun, Mr. Zhou Jian; the non-executive Directors are Mr. Li Ho Tan and Mr. Masahiro Honna; and the independent non-executive Directors are Mr. Liu Liangzhong, Mr. Wong Tak Shing and Mr. Min Feng.

This interim 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 interim report of the Company for the six months ended 30 June 2015 will be dispatched to the shareholders of the Company and will be available on the same websites in due course.