



百信集團

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

# 2018

## Interim Report



medical  
infographic

The background features a complex medical infographic with various icons: a brain, a heart, a hand holding a pill, a stethoscope, and a pair of lungs. The text 'medical infographic' is centered over these icons. The overall aesthetic is futuristic and high-tech, with a blue and purple color palette and glowing light effects.

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## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Mr. Chen Yenfei  
*(Chairman and Chief Executive Officer)*

Mr. Shen Shun

Mr. Zhou Jian  
*(retired on 28 June 2018)*

Mr. Chen Rongxin  
*(appointed on 1 August 2018 and  
resigned on 7 August 2018)*

### NON-EXECUTIVE DIRECTOR

Mr. Zhang Xiongfeng

Mr. Masahiro Honna  
*(resigned on 6 February 2018)*

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Liangzhong

Mr. Wong Tak Shing

Mr. Min Feng

Mr. Lu Yongchao  
*(appointed on 1 August 2018 and  
resigned on 7 August 2018)*

### AUTHORISED REPRESENTATIVES

Mr. Chen Yenfei

Mr. Shen Shun *(appointed on 7 August 2018)*

Mr. Pang, Peter Chun Ming  
*(resigned on 1 August 2018)*

Mr. Chen Rongxin  
*(appointed on 1 August 2018 and  
resigned on 7 August 2018)*

### JOINT COMPANY SECRETARIES

Mr. Tsoi, Yuen Hoi *HKICPA, ACCA*

Mr. Pang, Peter Chun Ming  
*CPA (California Board of Accountancy), CFA*  
*(resigned on 1 August 2018)*

### AUDIT COMMITTEE

Mr. Liu Liangzhong *(Chairman)*

Mr. Wong Tak Shing

Mr. Min Feng

### REMUNERATION COMMITTEE

Mr. Liu Liangzhong *(Chairman)*

Mr. Chen Yenfei

Mr. Wong Tak Shing

### NOMINATION COMMITTEE

Mr. Chen Yenfei *(Chairman)*

Mr. Liu Liangzhong

Mr. Min Feng

### CORPORATE GOVERNANCE COMMITTEE

Mr. Chen Yenfei *(Chairman)*

Mr. Min Feng

Mr. Zhou Jian  
*(retired on 28 June 2018)*

Mr. Liu Liangzhong  
*(appointed on 28 June 2018)*

**REGISTERED OFFICE**

Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

**HEAD OFFICE AND PRINCIPAL PLACE  
OF BUSINESS IN HONG KONG**

Unit 1803, 18/F, Allied Kajima Building  
138 Gloucester Road  
Wanchai, Hong Kong

**PRINCIPAL PLACE OF BUSINESS IN  
THE PRC**

No. 608-616, Building 28  
Longfor North Paradise Walk 2  
229 Wufuqiao East Road  
Jinniu District  
Chengdu, Sichuan Province  
PRC

**AUDITOR**

CCTH CPA Limited  
*Certified Public Accountants*  
Unit 5-6, 7/F, Greenfield Tower,  
Concordia Plaza  
1 Science Museum Road  
Tsim Sha Tsui, Kowloon  
Hong Kong

**STOCK CODE**

00574

**COMPANY'S WEBSITE**

[www.pashun.com.cn](http://www.pashun.com.cn)

**PRINCIPAL BANK**

Bank of Communications Co., Ltd.

**PRINCIPAL SHARE REGISTRAR AND  
TRANSFER OFFICE**

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

**HONG KONG BRANCH SHARE  
REGISTRAR AND TRANSFER OFFICE**

Tricor Investor Services Limited  
Level 22  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

The board (the “Board”) of directors (the “Directors”) of Pa Shun 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 2018 together with the comparative figures for the corresponding period in 2017. The Group’s interim results are unaudited, but have been reviewed by the audit committee of the Company (the “Audit Committee”).

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
		RMB'000	RMB'000
		(unaudited)	(unaudited)
	Notes		
<b>Revenue</b>	3(a)	<b>418,295</b>	387,879
Cost of sales		<b>(377,044)</b>	(343,815)
<b>Gross profit</b>		<b>41,251</b>	44,064
Other income and gains	4(a)	<b>13,985</b>	9,652
Other net loss	4(b)	<b>(4,797)</b>	(5,275)
Selling and distribution expenses		<b>(11,410)</b>	(11,128)
General and administrative expenses		<b>(18,252)</b>	(15,147)
Finance costs	5	<b>(7,930)</b>	(6,239)
Share of profit of associate		<b>164</b>	–
<b>Profit before tax</b>	6	<b>13,011</b>	15,927
Income tax expense	7	<b>(5,040)</b>	(5,538)
<b>Profit for the period attributable to equity shareholders of the Company</b>		<b>7,971</b>	10,389

		Six months ended 30 June	
		2018	2017
		RMB cent	RMB cent
		(unaudited)	(unaudited)
<b>Earnings per share</b>	9		
Basic		<b>0.75</b>	1.04
Diluted		<b>N/A</b>	1.00

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
<b>Profit for the period</b>	<b>7,971</b>	10,389
<b>Other comprehensive income for the period</b>		
Items 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")	<u>5,874</u>	<u>295</u>
<b>Total comprehensive income for the period</b>	<u><b>13,845</b></u>	<u>10,684</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30 June 2018

	Notes	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	91,266	96,102
Prepaid land lease payments		3,911	4,060
Investment in associate		8,287	–
Goodwill		5,942	5,942
Biological assets		1,196	1,196
Other intangible assets		940	3,281
Prepayments for intangible assets		20,000	20,000
Other non-current assets	11	177,615	177,615
Deferred tax assets		9,285	7,053
		<b>318,442</b>	<b>315,249</b>
<b>CURRENT ASSETS</b>			
Inventories		87,761	60,372
Trade and other receivables	12	405,267	438,994
Prepayments and deposits paid	13	213,411	245,883
Financial assets at fair value though profit or loss	17	3,201	2,253
Amounts due from related parties		12	97
Pledged bank deposits	14	41,881	49,364
Cash and cash equivalents	14	76,078	35,036
		<b>827,611</b>	<b>831,999</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	143,166	142,047
Bank borrowings		1,009	26,009
Amounts due to related parties		150	295
Corporate bonds payable	16	4,785	5,886
Convertible bonds	17	108,106	109,187
Income tax payable		14,378	12,443
		<b>271,594</b>	<b>295,867</b>
<b>NET CURRENT ASSETS</b>			
		<b>556,017</b>	<b>536,132</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>874,459</b>	<b>851,381</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 June 2018

	Notes	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
<b>NON-CURRENT LIABILITIES</b>			
Deferred income – government grant		24,821	25,076
Corporate bonds payable	16	78,563	68,854
Deferred tax liabilities		7,965	8,186
		<u>111,349</u>	<u>102,116</u>
<b>NET ASSETS</b>			
		<u>763,110</u>	<u>749,265</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	18	856	856
Reserves		762,254	748,409
<b>TOTAL EQUITY</b>			
		<u>763,110</u>	<u>749,265</u>



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30 June 2018*

	Share capital RMB'000	Share premium RMB'000	PRC statutory reserve RMB'000	Convertible bonds reserve RMB'000 <i>(note 17)</i>	Share option reserve RMB'000 <i>(note 19)</i>	Exchange reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
<b>At 1 January 2018 (audited)</b>	<b>856</b>	<b>469,233</b>	<b>47,094</b>	<b>7,395</b>	<b>11,997</b>	<b>3,986</b>	<b>(28,150)</b>	<b>236,854</b>	<b>749,265</b>
Profit for the period	-	-	-	-	-	-	-	7,971	7,971
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-
Exchange differences on translation of financial statements of entities outside the PRC	-	-	-	-	-	5,874	-	-	5,874
Total comprehensive income for the period	-	-	-	-	-	5,874	-	7,971	13,845
Appropriation to PRC statutory reserve	-	-	2,529	-	-	-	-	(2,529)	-
<b>At 30 June 2018 (unaudited)</b>	<b>856</b>	<b>469,233</b>	<b>49,623</b>	<b>7,395</b>	<b>11,997</b>	<b>9,860</b>	<b>(28,150)</b>	<b>242,296</b>	<b>763,110</b>
<b>At 1 January 2017 (audited)</b>	<b>801</b>	<b>447,331</b>	<b>42,279</b>	<b>7,395</b>	<b>11,997</b>	<b>11,623</b>	<b>(28,150)</b>	<b>231,492</b>	<b>724,768</b>
Profit for the period	-	-	-	-	-	-	-	10,389	10,389
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-
Exchange differences on translation of financial statements of entities outside the PRC	-	-	-	-	-	295	-	-	295
Total comprehensive income for the period	-	-	-	-	-	295	-	10,389	10,684
Appropriation to PRC statutory reserve	-	-	1,646	-	-	-	-	(1,646)	-
<b>At 30 June 2017 (unaudited)</b>	<b>801</b>	<b>447,331</b>	<b>43,925</b>	<b>7,395</b>	<b>11,997</b>	<b>11,918</b>	<b>(28,150)</b>	<b>240,235</b>	<b>735,452</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
<b>Net cash generated from/(used in) operating activities</b>	<b>57,142</b>	(83,359)
<b>Net cash generated from/(used in) investing activities</b>	<b>7,903</b>	(27,035)
<b>Financing activities</b>		
Proceeds from issue of corporate bonds	6,090	46,497
Corporate bonds issue expenses	(1,165)	(8,692)
Other net cash (outflow)/inflow	<u>(28,257)</u>	<u>10,771</u>
<b>Net cash (used in)/generated from financing activities</b>	<u>(23,332)</u>	<u>48,576</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>41,713</b>	(61,818)
Cash and cash equivalents at the beginning of the period	<b>35,036</b>	148,650
Effect of changes in foreign exchange rate	<u>(671)</u>	<u>(3,034)</u>
<b>Cash and cash equivalents at the end of the period</b>	<u><b>76,078</b></u>	<u>83,798</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) 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”).

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2017 annual consolidated financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of the unaudited condensed consolidated interim financial information 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. Actual results may differ from these estimates.

## 2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following new standards and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group.

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarification to HKFRS 15 Revenue from Contracts with Customers
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

The application of the above new standards and 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 standards and amendments to HKFRSs that have been issued but are not yet effective. The Directors are currently assessing the impact of these new standards and amendments to 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 distribution, self-operated retail pharmacies and manufacture of pharmaceutical products in the PRC.

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

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Pharmaceutical distribution	<b>380,438</b>	350,691
Self-operated retail pharmacies	<b>1,853</b>	–
Pharmaceutical manufacturing	<b>36,004</b>	37,188
	<b>418,295</b>	387,879

All of the Group's revenue is recognised at a point of time for both periods.

### 3. REVENUE AND SEGMENT REPORTING *(Continued)*

#### (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 performance assessment, the Group has presented the following reportable segments. No other 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.

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 2018 and 2017. Accordingly, no analysis by geographical segments has been provided for the six months ended 30 June 2018 and 2017.

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 six months ended 30 June 2018 and 2017 for the purposes of resource allocation and performance assessment.

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.

### 3. REVENUE AND SEGMENT REPORTING (Continued)

#### (b) Segment reporting (Continued)

##### (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 2018 and 2017 is set out below.

Six months ended 30 June 2018 (unaudited)

	Pharmaceutical distribution							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	Others RMB'000	Sub-total RMB'000	Self-operated retail pharmacies RMB'000	Pharmaceutical manufacturing RMB'000	
Revenue from external customers	296,710	58,087	24,600	1,041	380,438	1,853	36,004	418,295
Inter-segment revenue	-	65	-	-	65	-	780	845
Reportable segment revenue	296,710	58,152	24,600	1,041	380,503	1,853	36,784	419,140
Reportable segment profit	13,797	5,604	2,728	126	22,255	554	18,450	41,259
Other segment information								
Depreciation and amortisation	-	-	-	-	-	-	444	444

Six months ended 30 June 2017 (unaudited)

	Pharmaceutical distribution							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	Sub-total RMB'000	Self-operated retail pharmacies RMB'000	Pharmaceutical manufacturing RMB'000		
Revenue from external customers	211,096	105,647	33,948	350,691	-	37,188	387,879	
Inter-segment revenue	-	101	-	101	-	1,039	1,140	
Reportable segment revenue	211,096	105,748	33,948	350,792	-	38,227	389,019	
Reportable segment profit	6,239	9,616	7,268	23,123	-	20,958	44,081	
Other segment information								
Depreciation and amortisation	-	-	-	-	-	283	283	

**3. REVENUE AND SEGMENT REPORTING** (Continued)**(b) Segment reporting** (Continued)

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

	<b>Six months ended 30 June</b>	
	<b>2018</b> <b>RMB'000</b> <b>(unaudited)</b>	<b>2017</b> <b>RMB'000</b> <b>(unaudited)</b>
<b>Revenue</b>		
Reportable segment revenue	<b>419,140</b>	389,019
Elimination of inter-segment revenue	<b>(845)</b>	(1,140)
Consolidated revenue (note 3(a))	<b>418,295</b>	387,879
<b>Profit</b>		
Reportable segment profit	<b>41,259</b>	44,081
Elimination of inter-segment profit	<b>(8)</b>	(17)
Gross profit derived from external customers	<b>41,251</b>	44,064
Other income and gains	<b>13,729</b>	9,652
Other net loss	<b>(4,541)</b>	(5,275)
Selling and distribution expenses	<b>(11,410)</b>	(11,128)
General and administrative expenses	<b>(18,252)</b>	(15,147)
Finance costs	<b>(7,930)</b>	(6,239)
Share of profit of associate	<b>164</b>	-
Consolidated profit before tax	<b>13,011</b>	15,927
<b>Other items</b>		
Depreciation and amortisation		
Reportable segment total	<b>444</b>	283
Unallocated total	<b>3,027</b>	3,076
Consolidated total	<b>3,471</b>	3,359



## 4. OTHER INCOME AND GAINS AND OTHER NET LOSS

## (a) Other income and gains

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Franchise fee	2,086	4,770
Bank interest income	117	710
Rental income	–	22
Deferred income – government grant	256	441
Gain on change in fair value of derivative financial instruments (note 17)	960	2,154
Gain on disposal of intangible assets	566	–
Reversal of impairment on deposits paid for acquisition of property, plant and equipment (note 11(b))	10,000	–
Others	–	1,555
	<u>13,985</u>	<u>9,652</u>

## (b) Other net loss

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Impairment loss on trade receivables	–	6,038
Loss in connection with land exchange	4,797	–
Reversal of impairment loss on:		
– inventories	–	(719)
– other receivables	–	(44)
	<u>4,797</u>	<u>5,275</u>

## 5. FINANCE COSTS

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Interest on:		
Bank borrowings	146	673
Corporate bonds payable ( <i>note 16</i> )	4,444	1,808
Convertible bonds ( <i>note 17</i> )	3,152	3,378
Other borrowings	–	30
Bills charges and other bank charges	<u>188</u>	<u>350</u>
	<u>7,930</u>	<u>6,239</u>

**6. PROFIT BEFORE TAX**

Profit before tax is arrived at after charging:

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Cost of inventories sold ( <i>note i</i> )	<b>377,044</b>	343,815
Salaries, wages and other benefits	<b>7,119</b>	7,585
Contributions to defined contribution retirement plans	<b>1,011</b>	1,445
Total staff costs ( <i>note ii</i> )	<b>8,130</b>	9,030
Amortisation of intangible assets	<b>88</b>	246
Amortisation of prepaid land lease payments	<b>153</b>	134
Depreciation of property, plant and equipment	<b>3,230</b>	2,979
Auditors' remuneration		
Audit services	<b>142</b>	53
Non-audit services	<b>162</b>	258
Operating lease charges in respect of property rentals	<b>484</b>	593

*Notes:*

- (i) Cost of inventories sold for the six months ended 30 June 2018 includes staff costs and depreciation and amortisation expenses totalled RMB509,000 (six months ended 30 June 2017: RMB645,000) which are also included in the respective total amounts disclosed separately above.
- (ii) The total staff costs include directors' emoluments.

## 7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
<b>Current tax – PRC Enterprise Income Tax</b>		
Provision for the period	7,493	5,118
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(2,453)	420
	<u>5,040</u>	<u>5,538</u>

- (i) The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.
- (ii) Pursuant to the 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 for the six months ended 30 June 2018 and 2017 has been made in the consolidated statement of profit or loss as the Group has no assessable profits arising in Hong Kong for both of the periods presented.
- (iv) The Group’s PRC subsidiaries are subject to PRC Enterprise Income Tax at the statutory rate of 25%.

Chengdu Toyot Pa Shun Pharmacy Co., Ltd. (“Chengdu Pashun”), a wholly-owned subsidiary of the Company, applied for preferential income tax treatment under the Notice on the Issues of Tax Policies for Thorough Implementation of Western Development Strategy. Chengdu Pashun 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.

**8. DIVIDENDS**

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2018 (2017: Nil).

**9. EARNINGS PER SHARE****(a) Basic earnings per share**

The calculation of basic earnings per share for the six months ended 30 June 2018 is based on the profit attributable to equity shareholders of the Company of RMB7,971,000 (six months ended 30 June 2017: RMB10,389,000) and the weighted average of 1,064,564,000 ordinary shares (six months ended 30 June 2017: 1,000,000,000 ordinary shares) in issue.

**(b) Diluted earnings per share**

The calculation of diluted earnings per share for the six months ended 30 June 2018 and 2017 is based on the following data:

*(i) Earnings*

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Earnings for the purpose of basic earnings per share	<b>7,971</b>	10,389
Effect of diluted potential ordinary shares		
Interest on convertible bonds	–	3,378
Gain on change in fair value of financial assets at fair value through profit or loss	–	(2,154)
	<hr/>	<hr/>
Earnings for the purpose of diluted earnings per share	<b>7,971</b>	11,613
	<hr/>	<hr/>

**9. EARNINGS PER SHARE** *(Continued)*  
**(b) Diluted earnings per share** *(Continued)*  
*(ii) Number of shares*

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>Number of shares '000 (unaudited)</b>	Number of shares '000 (unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,064,564</b>	1,000,000
Effect of conversion of convertible bonds	<b>200,000</b>	160,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>N/A</b>	1,160,000

The computation of diluted earnings per share for the six months ended 30 June 2018 is not presented as the effects of conversion of the convertible bonds would result in an increase of the earnings per share for this period.

**10. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2018, the Group had not acquired any items of property, plant and equipment (31 December 2017: RMB8,679,000). Depreciation of property, plant and equipment for the period amounted to RMB3,230,000 (31 December 2017: RMB5,490,000).

## 11. OTHER NON-CURRENT ASSETS

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Deposits paid for the acquisition of:		
– companies ( <i>note a</i> )	–	52,342
– property, plant and equipment ( <i>note b</i> )	<b>2,154</b>	2,154
Payments in connection with a property development project ( <i>note a and c</i> )	<b>170,461</b>	118,119
Guarantee deposit ( <i>note d</i> )	<b>5,000</b>	5,000
	<b>177,615</b>	177,615

*Notes:*

- (a) During the year ended 31 December 2016, the Group entered into a memorandum of understanding with a PRC individual, who is the equity owner of Chengdu Yiming Investment Management Company Limited (“Chengdu Yiming”) (*note (c)* below) for the proposed acquisition of equity interest in Chengdu Yiming. In accordance with the memorandum of understanding, the consideration and other terms for the acquisition together with the percentage of the equity interest to be acquired are yet to be finalised pending the conclusion with the PRC local government regarding details of the change of land usage of the land held by the Group and Chengdu Yiming for the property development project as referred to in *note (c)*. As at 31 December 2017, the Group had made payments of refundable deposits for the acquisition amounted to RMB52,342,000.

On 26 March 2018, the Group, the equity owner of Chengdu Yiming and Chengdu Yiming entered into an agreement, under which the proposed acquisition of equity interest in Chengdu Yiming by the Group is cancelled. Pursuant to the agreement, the payment made by the Group for the acquisition amounting to RMB52,342,000 to be refunded to the Group as a result of the termination was immediately contributed to the property development project of the logistic centre by the equity owner of Chengdu Yiming on behalf of the Group as detailed in *note c* below.

**11. OTHER NON-CURRENT ASSETS** *(Continued)*

*Notes: (Continued)*

- (b) The deposits were paid by the Group for acquiring and installing plant and machinery in the Group's production plant. Included in the deposits paid as at 31 December 2017 are the amounts paid by the Group to two independent third parties amounting to RMB10,000,000, of which impairment loss amounting to RMB10,000,000 has been recognised up to that date. During the six months ended 30 June 2018, the deposits of RMB10,000,000 were refunded to the Group, accordingly the impairment loss of RMB10,000,000 previously made were reversed in respect of the current period and included in other income and gains (note 4(a)).
- (c) As at the end of the reporting period, the Group had payments to Chengdu Yiming amounting to approximately RMB170,461,000 (31 December 2017: RMB118,119,000) for the property development project of a logistic centre in the PRC. The land use rights of the land of the property development project is currently registered in the name of a subsidiary of the Company and Chengdu Yiming. It is the understanding of the management of the Group and Chengdu Yiming that the development costs of the property development project, including any land premium of the land for the project arising from change of land usage, are initially financed as to 30% and 70% by the Group and Chengdu Yiming respectively and the subsidiary and Chengdu Yiming are entitled to initially share 30% and 70% of the gross floor area of the properties after the completion of development. Detailed terms of the property development project are yet to be finalised by the Group and Chengdu Yiming.

Up to the date of approval of the condensed consolidated financial statements for the six months ended 30 June 2018, the property development project was in preliminary stage and negotiation with the PRC local government regarding the land premium and other terms for the change of land usage of the land for the property development project have been finalised.

- (d) Guarantee deposit represents the deposit paid for a ten-year period Chinese herbal planting project which will be refunded upon the completion of the project.



## 12. TRADE AND OTHER RECEIVABLES

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Trade and commercial bills receivables ( <i>note a</i> )	303,122	337,366
Bank bills receivables ( <i>note b</i> )	30,295	32,052
Other receivables ( <i>note c</i> )	71,850	69,576
	<u>405,267</u>	<u>438,994</u>

*Notes:*

## (a) Trade and commercial bills receivables

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

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Within 1 month	39,922	96,001
1 to 3 months	172,097	113,334
4 to 6 months	29,303	76,854
Over 6 months	61,800	51,177
	<u>303,122</u>	<u>337,366</u>
Trade and commercial bills receivables, net of allowance for doubtful debts	<u>303,122</u>	<u>337,366</u>

An average credit period of 30 to 180 days is granted by the Group to its customers (31 December 2017: 30 to 180 days).

**12. TRADE AND OTHER RECEIVABLES** (Continued)

Notes: (Continued)

**(b) Bank bills receivables**

The bank bills receivables are aged within 180 days (31 December 2017: 180 days).

**(c) Other receivables**

An analysis of other receivables is as follows:

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Government grant receivable	–	3,000
Loan receivable (note)	11,733	20,000
Other taxes recoverable	30,644	18,946
Payments in connection with land exchange	–	10,789
Receivable from disposal of other intangible assets	3,000	–
Receivable from excess payments in connection with acquisition of an unlisted entity (note 13(c))	6,877	–
Others	19,596	16,841
	<u>71,850</u>	<u>69,576</u>

Note:

The loan was advanced by the Group to a third party. Such loan receivable is unsecured and repayable on demand and carries interest at interest rates which are based on bank benchmark interest rates.

**13. PREPAYMENTS AND DEPOSITS PAID**

	<b>At 30 June 2018 RMB'000 (unaudited)</b>	<b>At 31 December 2017 RMB'000 (audited)</b>
Advance payments to suppliers ( <i>note a</i> )	<b>152,368</b>	173,068
Deposits paid for investment projects ( <i>note b</i> )	<b>40,775</b>	34,098
Consideration paid for acquisition of unlisted investments ( <i>note c</i> )	<b>16,000</b>	31,000
Other deposits and prepayments	<b>4,268</b>	7,717
	<b><u>213,411</u></b>	<u>245,883</u>

*Notes:*

- (a) The amount represents deposits paid to suppliers for purchases of goods in relation to the business undertaken by the Group. Management expects that a substantial portion of these purchases will be made within one year after the end of the reporting period.
- (b) The amount represents payments to a third party to enable the third party to secure appropriate investment projects on behalf of the Group. No investment project was secured by the Group during the period under review and management of the Group expected that the amount paid will be substantially refunded by the third party to the Group before 31 December 2018.
- (c) During the year ended 31 December 2017, the Group made payments for the acquisition of 20% equity interests in each of the two unlisted entities amounting to RMB31,000,000. During the six months ended 30 June 2018, the acquisition of one of the unlisted entities was completed, under which the Group acquired 10% equity interest in that entity for a consideration of RMB8,123,000. The excess payment made by the Group for this acquisition amounting to RMB6,877,000, being the difference between the payments previously made by the Group amounting to RMB15,000,000 and the consideration for the acquisition, is refundable from the related vendor and was included in other receivables.

## 14. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Pledged bank deposits ( <i>notes a, b, c and e</i> )	41,881	49,364
Cash and cash equivalents ( <i>notes d and e</i> )		
– Cash at banks and on hand	<u>76,078</u>	<u>35,036</u>
	<u>117,959</u>	<u>84,400</u>

*Notes:*

- (a) Bank deposits amounting to RMB12,232,000 (31 December 2017: RMB19,354,000) have been pledged to banks for bills facilities of RMB23,181,000 (31 December 2017: RMB37,395,000). The pledged bank deposits will be released upon the settlement of relevant bills payables. The bills facilities to the extent of RMB23,181,000 were utilised as at the end of the reporting period (31 December 2017: RMB37,395,000).
- (b) Bank deposits of RMB10,000 (31 December 2017: RMB10,000) of the Group have been pledged to a bank for bank borrowings. This pledged bank deposit will be released upon the repayment of the bank borrowings.
- (c) Bank deposits of the Group of RMB29,639,000 (31 December 2017: RMB30,000,000) have been pledged to bank for general banking facilities.
- (d) Cash at bank earned interest at floating rates based on daily bank deposit rates.
- (e) Cash and cash equivalents and pledged bank deposits placed with banks in the PRC amounted to RMB81,994,000 (31 December 2017: RMB25,610,000). Remittance of these funds out of the PRC is subject to relevant rules and regulations of foreign exchange control promulgated by the government of the PRC.

## 15. TRADE AND OTHER PAYABLES

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Trade creditors ( <i>note</i> )	75,507	60,652
Bills payables	23,181	37,395
Salaries, wages and welfare payables	4,090	9,947
Other payables and accrued expenses	27,487	16,203
Deposits received from customers	9,895	14,326
Consideration payable for acquisition of a subsidiary	2,000	2,000
Other tax payables	1,006	1,524
	<u>143,166</u>	<u>142,047</u>

*Note:*

An ageing analysis of trade creditors, based on the dates of goods delivery, is as follows:

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Within 1 month	17,558	18,945
1 to 3 months	14,704	14,111
Over 3 months	43,245	27,596
	<u>75,507</u>	<u>60,652</u>

The credit term granted to the Group by its suppliers is 30 days (31 December 2017: 30 days).

## 16. CORPORATE BONDS PAYABLE

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Carrying amount of corporate bonds due in:		
– 2019	4,785	4,536
– 2020	20,342	19,347
– 2021	12,716	10,754
– 2022	2,571	2,478
– 2023	685	–
– 2024	27,975	26,805
– 2025	14,274	10,820
	<b>83,348</b>	74,740
Payable		
– Within one year	4,785	5,886
– In the second to fifth years	36,314	34,355
– More than five years	42,249	34,499
	<b>83,348</b>	74,740
Analysed for reporting purposes as:		
Current liability	4,785	5,886
Non-current liability	78,563	68,854
	<b>83,348</b>	74,740
Movements in corporate bonds payable are as follows:		
At beginning of the period/year	74,740	15,619
Proceeds received on issue of corporate bonds	6,090	73,093
Bonds issue expenses	(1,165)	(13,629)
Interest paid during the period/year	–	(2,681)
Interest recognised as finance costs ( <i>note 5</i> )	4,444	5,786
Exchange realignment	(761)	(3,448)
At end of the period/year	<b>83,348</b>	74,740

**16. CORPORATE BONDS PAYABLE** *(Continued)*

During the six months ended 30 June 2018, the Company issued unsecured corporate bonds with the aggregate principal amount of HK\$7,500,000, giving rise to a total gross proceeds of HK\$7,500,000 (equivalent to RMB6,090,000) before expenses.

At 30 June 2018, corporate bonds with principal amount of HK\$113,900,000 (31 December 2017: HK\$106,400,000) remained outstanding.

**17. CONVERTIBLE BONDS**

	Liability component		Derivative component	
	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Carrying amount of convertible bonds at the end of the period/year	<b>108,106</b>	109,187	<b>(3,201)</b>	(2,253)
Analysed for reporting purpose as:				
Current asset	-	-	<b>(3,201)</b>	(2,253)
Current liability	<b>108,106</b>	109,187	-	-
	<b>108,106</b>	109,187	<b>(3,201)</b>	(2,253)

**17. CONVERTIBLE BONDS** *(Continued)*

On 29 December 2016, the Company issued convertible bonds with aggregate principal amount of HK\$120,000,000 to a third party (the “Bondholder”) for an aggregate consideration of HK\$120,000,000 (before expenses, pursuant to a convertible bonds subscription agreement (“Subscription Agreement”) dated 15 December 2016 and entered into by the Company with, among others, the Bondholder. The convertible bonds comprise (i) bonds in the principal amount of HK\$72,000,000 which carry interest at 4% per annum with maturity period of two years from the date of issue (the “Series 1 CB”) and (ii) bonds in the principal amount of HK\$48,000,000 which carry interest at 4% per annum with maturity period of two years from the date of issue (the “Series 2 CB”). The Series 1 CB and the Series 2 CB entitle the holder thereof to convert the bonds into shares of the Company from date of issue to one day before the maturity date at the initial conversion prices of HK\$0.6 and HK\$1.2 per share respectively. In addition, the Company is required to pay to the Bondholder annual fees which are calculated at 1% of the outstanding principal amounts of the Series 1 CB and the Series 2 CB. Under the terms of the convertible bonds, the Company is entitled to redeem the outstanding Series 1 CB and Series 2 CB in full, but not in part, at any time after one year from the date of issue of the bonds at an amount which comprises the principal amount of the bonds redeemed together with any accrued and unpaid interests and annual fees and an internal rate of return of the bonds. The internal rate of return is calculated at 10% for redemption at maturity and 12% for early redemption of the principal amount of the bonds redeemed for the period from the date of issue of the bonds to the date on which the redemption amount of the bonds are settled.

The Series 1 CB and the Series 2 CB are secured by (i) the pledge of 474,040,000 shares of the Company held by Praise Treasure Limited, an entity which is wholly-owned by Mr. Chen Yenfei (“Mr. Chen”), the Chairman, an executive Director and a controlling shareholder (having the meaning ascribed to it under the Listing Rules) of the Company; and (ii) the personal guarantee given by Mr. Chen.



**17. CONVERTIBLE BONDS** *(Continued)*

On 20 July 2017, the parties to the Series 1 CB and Series 2 CB executed a supplemental deed to amend the terms of the Series 1 CB and Series 2 CB, under which, among other amendments, the initial conversion price of Series 2 CB has been adjusted from HK\$1.2 per share to HK\$0.6 per share. The relevant supplemental bond instruments were executed on 2 August 2017.

Under the Subscription Agreement, "Security Top-Up Triggering Event" occurs when, so long as any convertible bonds remain outstanding, the Collateral Coverage Ratio (as defined in the Subscription Agreement) for any Trading Day (as defined in the Subscription Agreement) falls below 1.6.

On 29 May 2018, the parties to Series 1 CB and Series 2 CB executed a second supplemental deed ("Second Supplemental Deed"), under which, among other amendments, "Security Top-Up Triggering Event" applicable to Series 1 CB and Series 2 CB has been revised to "falls below 1.75 for three consecutive Trading Days".

The relevant second supplemental bond instruments were executed on 6 June 2018.

The fair value of the derivative component was valued by International Valuation Limited, an independent firm of business and financial services valuers, using the Binomial option pricing model. The inputs into the model were as follows:

	<b>At 30 June 2018</b>	At 31 December 2017
Risk free rate	<b>1.550%</b>	1.040%
Expected volatility	<b>61%</b>	25%
Expected life	<b>0.50 years</b>	0.99 years
Dividend yield	<b>Nil</b>	Nil

The risk-free rate was estimated by using interpolation with reference to the yield rate of Hong Kong government bonds.

The expected volatility was determined based on the historical volatility of the share prices of the Company.

**17. CONVERTIBLE BONDS** *(Continued)*

The variables and assumptions used in calculating the fair value of the convertible bonds are based on the Directors' best estimate.

Movements of the liability component, derivative component and equity component of the convertible bonds are set out below:

	Liability component	Derivative component	Equity component	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2017 (audited)	116,206	(7,567)	7,395	116,034
Change in fair value of derivative financial instruments	–	4,943	–	4,943
Interest expense accrued	6,725	–	–	6,725
Interest paid	(5,196)	–	–	(5,196)
Exchange realignment	(8,548)	371	–	(8,177)
Balance at 31 December 2017 (audited)	109,187	(2,253)	7,395	114,329
Change in fair value of derivative financial instruments <i>(note 4(a))</i>	–	(960)	–	(960)
Interest expenses accrued <i>(note 5)</i>	3,152	–	–	3,152
Interest paid	(1,949)	–	–	(1,949)
Annual fee paid	(974)	–	–	(974)
Exchange realignment	(1,310)	12	–	(1,298)
Balance at 30 June 2018 (unaudited)	108,106	(3,201)	7,395	112,300

The effective interest rates in respect of the liability component of the convertible bonds at 30 June 2018 are 6.03% to 6.04% (31 December 2017: 6.03% to 6.04%) per annum.

No convertible bonds were converted into new shares of the Company during the period under review and the convertible bonds with an aggregate principal amount of HK\$120,000,000 (31 December 2017: HK\$120,000,000) remained outstanding as at 30 June 2018.

## 18. SHARE CAPITAL

**Authorised:****Ordinary shares of HK\$0.001 each**At the beginning and the end of  
the period/year

At 30 June 2018 (unaudited)		At 31 December 2017 (audited)	
Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
2,000,000	2,000	2,000,000	2,000

**Issued and fully paid:****Ordinary shares of HK\$0.001 each**At the beginning of the period/year  
Issue of shares upon acquisition  
of a subsidiary

At the end of the period/year

At 30 June 2018 (unaudited)			At 31 December 2017 (audited)		
Number of shares '000	Nominal value of shares HK\$'000	Carrying amount RMB'000	Number of shares '000	Nominal value of shares HK\$'000	Carrying amount RMB'000
1,064,564	1,065	856	1,000,000	1,000	801
-	-	-	64,564	65	55
1,064,564	1,065	856	1,064,564	1,065	856

## 19. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company adopted the share option scheme (the “Scheme”) on 26 May 2015 for the purpose of rewarding certain eligible participants for their past contributions and attracting and retaining, or otherwise maintaining on-going relationship with, such eligible participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. Subject to early termination of the Scheme in accordance with the rules thereof, the Scheme shall remain in force for a period of ten years commencing from 26 May 2015.

Eligible participants of the Scheme include (i) any proposed, full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (ii) any director or proposed director (including an independent non-executive director) of the Company or any of its subsidiaries; (iii) any direct or indirect shareholder of the Company or any of its subsidiaries; (iv) any supplier, customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of the Company or any of its subsidiaries; (v) any person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to the Company or any of its subsidiaries; and (vi) any associate of any of the persons referred to in paragraphs (i) to (v) above.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the shares in issue.

Participants of the Scheme are required to pay the Company HK\$1.0 upon acceptance of the grant within 28 days after the offer date. The exercise price of the share options is determinable by the Directors, but shall not be less than the highest of (i) the closing price of the Company’s shares as quoted on the Stock Exchange’s daily quotations sheet for trade in one or more board lots of the shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of the Company’s shares as quoted on the Stock Exchange’s daily quotations sheet for the five business days immediately preceding the date of offer; and (iii) the nominal value of a share. The exercise of any option may be subject to a vesting schedule to be determined by the Board in its absolute discretion, which shall be specified in the offer letter.

Shares are issued and allotted upon the exercise of options. The Company has no legal or constructive obligations to repurchase or settle the options in cash.

**19. EQUITY SETTLED SHARE-BASED TRANSACTIONS** *(Continued)*

No share options under the Scheme were granted, exercised, forfeited or lapsed during the six months ended 30 June 2018 and the year ended 31 December 2017. Movements in the number of share options outstanding during the six months ended 30 June 2018 and the year ended 31 December 2017 and their exercise prices are as follows:

	Six months ended 30 June 2018 (unaudited)					Year ended 31 December 2017 (audited)				
	Weighted average exercise price	Number of share options			Total	Weighted average exercise price	Number of share options			Total
		Directors	Employees	Others			Directors	Employees	Others	
HK\$	'000	'000	'000	'000	HK\$	'000	'000	'000	'000	
At the beginning and at the end of the period/year	0.6	8,000	54,700	37,300	100,000	0.6	8,000	54,700	37,300	100,000
Exercisable at the end of the period/year	0.6	8,000	54,700	37,300	100,000	0.6	8,000	54,700	37,300	100,000

The options are exercisable during the period from 8 July 2016 to 31 December 2019.

No equity-settled share-based payments has been recognised in profit or loss in respect of the current period and the year ended 31 December 2017 relating to share options granted by the Company.

The weighted average exercise price of the share options granted and outstanding at the end of the reporting period is HK\$0.6 (31 December 2017: HK\$0.6) per share. The weighted average remaining contractual life of outstanding share options granted and outstanding at the end of the reporting period is 1.5 years (31 December 2017: 2 years).

## 20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### (i) Financial instruments measured at fair value

The following table presents the fair value of financial instruments measured at fair value at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 “Fair Value Measurement”. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuation: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuation: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuation: Fair value measured using significant unobservable inputs.

#### Fair value measurements categorised into Level 2

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
<b>Recurring fair value measurements</b>		
Asset:		
Derivative financial instruments	<u>3,201</u>	<u>2,253</u>

**20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS** *(Continued)***(i) Financial instruments measured at fair value** *(Continued)*

During the six months ended 30 June 2018 and 30 June 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as of the end of the reporting period in which they occur.

**(ii) Fair value of financial instruments carried at other than fair value**

The Directors consider that the carrying amounts of the Group's financial instruments carried at amortised cost at 30 June 2018 and 31 December 2017 are not materially different from their fair values as at those respective dates. The fair values, which are included in Level 3 category, have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rates that reflect the credit risk of counterparties.

**21. OPERATING LEASE COMMITMENTS**

At 30 June 2018 and 31 December 2017, the total future minimum lease payments under non-cancellable operating leases payable are as follows:

	<b>At 30 June 2018 RMB'000 (unaudited)</b>	<b>At 31 December 2017 RMB'000 (audited)</b>
Within one year	<b>1,420</b>	1,425
In the second to fifth years, inclusive	<b>1,526</b>	2,285
More than five years	<b>2,400</b>	2,400
	<b>5,346</b>	6,110

## 22. COMMITMENTS

Commitments contracted but not provided  
for in respect of:

– Acquisition of property, plant and equipment

<b>At 30 June 2018 RMB'000 (unaudited)</b>	At 31 December 2017 RMB'000 (audited)
<b>6,576</b>	6,576

## 23. MATERIAL RELATED PARTY TRANSACTIONS

### Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Directors, is as follows:

	<b>Six months ended 30 June 2018 RMB'000 (unaudited)</b>	2017 RMB'000 (unaudited)
Salaries, wages and other benefits	1,447	1,650
Contributions to defined contribution retirement plans	15	16
	<b>1,462</b>	1,666



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

The Group continued to focus on the pharmaceutical distribution and pharmaceutical manufacturing businesses in the PRC during the six months ended 30 June 2018. For the self-operated retail pharmacies business, the Group continued to seek mergers and acquisitions opportunities in respect of established retail pharmacy chains in order to revitalize the business segment.

#### Revenue

For the six months ended 30 June 2018, the Group recorded a total revenue of RMB418.3 million, representing an increase of approximately 7.8% from RMB387.9 million for the six months ended 30 June 2017. This increase was primarily due to the growth in revenue from the Group's pharmaceutical distribution to wholesalers and franchise retail pharmacy chain stores.

#### Cost of Sales, Gross Profit and Gross Margin

The Group's cost of sales increased by approximately 9.7% from RMB343.8 million for the six months ended 30 June 2017 to RMB377.0 million for the six months ended 30 June 2018. 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 6.4% from RMB44.1 million for the six months ended 30 June 2017 to RMB41.3 million for the six months ended 30 June 2018. The Group's gross margin decreased from 11.4% for the six months ended 30 June 2017 to 9.9% for the six months ended 30 June 2018. Such decrease is primarily attributable to the reducing profit margin on pharmaceutical distribution segment which was due to the vigorous competition after the implementation of Two-Invoice System in the PRC in 2017. Two-Invoice System allows a maximum of two tax-valid invoices to be issued during the distribution process from a manufacturer to the final customers, of which one invoice is issued by the manufacturer to its distributor, and another invoice is issued by the distributor to the final customer.

### **Selling and Distribution Expenses**

The Group's selling and distribution expenses slightly increased by approximately 2.5% from RMB11.1 million for the six months ended 30 June 2017 to RMB11.4 million for the six months ended 30 June 2018.

### **General and Administrative Expenses**

The Group's general and administrative expenses increased by approximately 20.5% from RMB15.1 million for the six months ended 30 June 2017 to RMB18.3 million for the six months ended 30 June 2018. This increase was primarily due to the payment of consultancy fee for advisory on business development for the six months ended 30 June 2018.

### **Other Income and Gains**

Other income and gains increased by approximately 44.9% from RMB9.7 million for the six months ended 30 June 2017 to RMB14.0 million for the six months ended 30 June 2018. The other income and gains during the six months ended 30 June 2018 mainly comprised of the reversal of impairment on deposits paid for acquisition of property, plant and equipment of RMB10.0 million. The increase of other income and gain was primarily due to such reversal of impairment which was offset by the decrease in franchise income and decrease of gain on change in fair value of derivative financial instruments.

### **Other Net Loss**

Other net loss decreased by approximately 9.1% from RMB5.3 million for the six months ended 30 June 2017 to RMB4.8 million for the six months ended 30 June 2018. The decrease was mainly due to the absence of impairment loss on trade receivables for the six months ended 30 June 2018, as compared to the impairment loss on trade receivables of RMB6.0 million for the six months ended 30 June 2017 while offset by a loss in connection of land exchange in the PRC of RMB4.5 million for the six months ended 30 June 2018.

### **Finance Costs**

Finance costs increased by approximately 27.1% from RMB6.2 million for the six months ended 30 June 2017 to RMB7.9 million for the six months ended 30 June 2018. This increase was primarily due to the increase in interest from the Company's corporate bonds that were issued in first half of 2017.

**Profit before Tax**

Profit before tax decreased by approximately 18.3% from RMB15.9 million for the six months ended 30 June 2017 to RMB13.0 million for the six months ended 30 June 2018. This decrease was primarily due to the decrease in gross profit generated and the increase in general and administrative expenses and finance costs, offset by the increase in other income and gains.

**Income Tax Expense**

Income tax expense decreased by approximately 9.0% from RMB5.5 million for the six months ended 30 June 2017 to RMB5.0 million for the six months ended 30 June 2018. This decrease was primarily due to the reversal of deferred tax liabilities arising from the fair value increment of property, plant and equipment upon acquisition of 鹽池縣醫藥藥材有限公司 (in English for identification purpose only, Yanchi County Medical & Pharmaceutical Herbal Co., Ltd.) during the year ended 31 December 2017, through the depreciation of assets.

**Profit for the Period and Net Profit Margin**

As a result of the foregoing, the Group's profit for the period decreased by approximately 23.3% from RMB10.4 million for the six months ended 30 June 2017 to RMB8.0 million for the six months ended 30 June 2018. The Group's net profit margin decreased from 2.7% for the six months ended 30 June 2017 to 1.9% for the six months ended 30 June 2018.

**BUSINESS REVIEW**

For the six months ended 30 June 2018, the Group's revenue generated by the pharmaceutical distribution segment amounted to RMB380.4 million, representing an increase of approximately 8.5% as compared with RMB350.7 million for the comparative period in 2017. Such increase was primarily attributable to the increase of the revenue from the sales to wholesalers and franchise retail chain pharmacies though the overall growth of this segment was offset by the reduction in revenue from the sales to the hospitals and other medical institutions in rural areas. The "Two-Invoice System" implemented in April 2017 in Sichuan, which only allows a single level of distributors for the sale of pharmaceutical products from drug manufacturers to medical institutions, has caused vigorous competition and deteriorated the gross margin of the entire segment.

For the six months ended 30 June 2018, the Group's revenue from the self-operated retail pharmacies segment amounted to RMB1.9 million. The Group will continue to seek mergers and acquisition opportunities in respect of established retail pharmacy chains in order to revitalize the business segment.

For the six months ended 30 June 2018, the Group's revenue from the pharmaceutical manufacturing segment amounted to RMB36.0 million, representing a decrease of approximately 3.2% from RMB37.2 million for the six months ended 30 June 2017. Such decrease was mainly attributable to the sluggish market for traditional embrocation products.

## OUTLOOK

Against the backdrop of stable economic growth and pharmaceutical industry reform in China, the Group will continue to leverage its solid foundation in Southwest China and make good use of its existing resources and networks to opportunistically expand into other innovative areas through various business development strategies, including (i) speeding up the construction of international logistics centers to improve the operational efficiency of the distribution business; (ii) optimising the product structure to cover traditional Chinese medicine, health food and other health sectors; (iii) extending presence to the upstream industry chain and participate in the purchase of traditional Chinese medicine; and (iv) continuing to search for potential mergers and acquisition targets to improve the profitability of the Group.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group had total cash and cash equivalents of RMB76.1 million as at 30 June 2018 as compared with RMB35.0 million as at 31 December 2017 which were held in RMB and HK\$.

The Group recorded net current assets of RMB556.0 million and RMB536.1 million as at 30 June 2018 and 31 December 2017 respectively. The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was 3.05 as at 30 June 2018, as compared with 2.81 as at 31 December 2017.

The Group's gearing ratio is represented by net debts divided by total equity plus net debts. The Group's net debts include bank and other borrowings, corporate bond payables and convertible bonds, less cash and cash equivalents and pledged bank deposits. As at 30 June 2018, the Group's gearing ratio was 8.9% (31 December 2017: 14.4%).

As at 30 June 2018, the total amount of bank loans was RMB1.0 million, as compared with RMB26.0 million as at 31 December 2017, which were bearing interest in fixed interest rate.

As at 30 June 2018, the total number of issued ordinary shares of the Company was 1,064,564,000 shares (31 December 2017: 1,064,564,000 shares) (“Shares”). In 2016, the Company has granted to certain eligible persons share options (“Options”) to subscribe for an aggregate of 100,000,000 Shares under the share option scheme adopted by the Company by ordinary resolution of all shareholders of the Company passed on 26 May 2015. As at 30 June 2018, 100,000,000 share options remained outstanding. Please refer to the announcement of the Company dated 8 July 2016 for details of the grant of the Options.

On 15 December 2016, the Company entered into the Subscription Agreement with, among others, Chance Talent Management Limited (“Purchaser”), pursuant to which, on 29 December 2016, the Company has issued to the Purchaser the Series 1 CB and Series 2 CB (collectively referred to as the “Convertible Bonds”). On 20 July 2017, the Company executed the supplemental deed (“Supplemental Deed”) with, among others, the Purchaser, pursuant to which the parties have conditionally agreed to enter into the supplemental bond instruments of each of the Convertible Bonds (“Supplemental Bond Instruments”), to amend certain terms and conditions of the Convertible Bonds. On 29 May 2018, the Company further executed the Second Supplemental Deed with, among others, the Purchaser, pursuant to which the parties have conditionally agreed to further amend certain terms of the Subscription Agreement and enter into additional supplemental bond instruments of each of the Convertible Bonds (“Second Supplemental Bond Instruments”), to further amend certain terms and conditions and obtain waiver to certain covenants of the Convertible Bonds. Please refer to the paragraph headed “Issue of the Convertible Bonds” under the section headed “Other Information” in this report for further details.

During the year ended 31 December 2017, the Company issued 36 batches of unsecured corporate bonds, with principal amount of HK\$106.4 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 six months ended 30 June 2018, the Company issued additional corporate bonds with principal amount of HK\$7,500,000 to various independent third parties.

On 27 June 2018, the Company entered into a conditional subscription agreement (“2018 Subscription Agreement”) with the Mr. Chen, the chairman of the Board, the chief executive officer and a controlling shareholder of the Company, pursuant to which the Company has conditionally agreed to issue, and Mr. Chen has conditionally agreed to subscribe for, the unsecured non-interest bearing convertible bonds in the aggregate principal amount of HK\$134,500,000 (“2018 Convertible Bonds”). The 2018 Convertible Bonds are convertible into Shares at the initial conversion price of HK\$0.50 per Share (subject to adjustments). The maturity of the 2018 Convertible Bonds will be the date falling on the second anniversary of the date of issue of the 2018 Convertible Bonds. It is intended that the Company shall utilise the net proceeds from the issue of the 2018 Convertible Bonds for the repayment of the Convertible Bonds. Completion of subscription of the 2018 Convertible Bonds (“Completion”) is subject to the conditions precedent of the 2018 Subscription Agreement. Please refer to the paragraph headed “Connected Transaction in relation to Subscription for Convertible Bonds under Specific Mandate” under the section headed “Other Information” in this report for further details.

The Group actively and regularly reviews and manages its capital structure to enhance its financial strength for the Group’s long-term development. There were no changes in the Group’s approach to capital management during the period under review.

## **CONTINGENT LIABILITIES**

As at 30 June 2018, the Group did not have any significant contingent liabilities.

## **CHARGES OF ASSETS**

Details of charges of the Group’s assets during the reporting period are set out in note 14 to the condensed consolidated interim financial information in this report.

## OTHER INFORMATION

### 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 six months ended 30 June 2018, the Group did not make any significant investments, acquisitions or disposals that would constitute a notifiable transaction under Chapter 14 of the Listing Rules.

### HUMAN RESOURCES

As at 30 June 2018, the Group had a total of 327 staff, primarily in the PRC. The total staff cost was RMB8.1 million for the six months ended 30 June 2018.

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

## USE OF NET PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Shares are listed on the Main Board of the Stock Exchange on 19 June 2015 with net proceeds ("Net Proceeds") from the global offering of approximately HK\$249.5 million (after deducting underwriting commissions and related expenses). As at 30 June 2018, the Group had utilised HK\$147.8 million of the Net Proceeds and the unutilised Net Proceeds amounted to HK\$101.7 million.

The following table sets forth a breakdown of the use of the Net Proceeds during the period under review:

<b>Use of the Net Proceeds</b>	<b>Available to use <i>HK\$ million</i></b>	<b>Utilised (as at 30 June 2018) <i>HK\$ million</i></b>	<b>Unutilised (as at 30 June 2018) <i>HK\$ million</i></b>
Logistics center and related expenses	121.3	121.0	0.3
Acquisition or establishment of self-operated retail pharmacy stores	116.2	14.8	101.4
Working capital and other general corporate purposes	12.0	12.0	–
	<u>249.5</u>	<u>147.8</u>	<u>101.7</u>

The Net Proceeds which have not been utilised have been deposited into interest bearing bank accounts with licensed commercial banks in China and Hong Kong. The Directors intended to continue to apply the unutilised Net Proceeds in the manner as set out in the prospectus of the Company dated 9 June 2015.



### ISSUE OF THE CONVERTIBLE BONDS

On 15 December 2016, the Company has entered into the Subscription Agreement, pursuant to which, on 29 December 2016, the Company issued to the Purchaser the Series 1 CB in the principal amount of HK\$72,000,000 and the Series 2 CB in the principal amount of HK\$48,000,000.

The Directors consider that the issue of the Convertible Bonds is an appropriate means of raising additional capital for the Company since (i) they will not have an immediate dilution effect on the shareholding of existing shareholders; and (ii) if the conversion rights attached to the Convertible Bonds (“Conversion Rights”) are exercised, the shareholder base of the Company will be enlarged by bringing in new investor(s) and it is expected that the financial position of the Group will be improved to provide for the existing and future business of the Group.

The net proceeds from the issue of the Convertible Bonds, after deducting related transaction costs, was approximately HK\$113.1 million which was intended to be applied to general working capital, business development and any future merger and acquisition transactions of the Group. As at 31 December 2017, HK\$112.2 million was utilised for general working capital and business development. During the six months ended 30 June 2018, the remaining HK\$0.9 million of the unutilised net proceeds were fully utilised for general working capital and business development. All net proceeds were used in the manner as intended by the Group.

On 20 July 2017, the Company executed the Supplemental Deed with, among others, the Purchaser, pursuant to which the parties have conditionally agreed to enter into the Supplemental Bond Instruments to amend certain terms and conditions of the Convertible Bonds. The Supplemental Bond Instruments were executed by the Company on 2 August 2017. Pursuant to the Supplemental Bond Instruments, the initial conversion price of Series 2 CB has been adjusted from HK\$1.2 per Share to HK\$0.6 per Share.

Assuming the exercise in full of the Conversion Rights at the initial conversion price of HK\$0.6 per Share in respect of the Series 1 CB and the amended initial conversion price of HK\$0.6 per Share in respect of the Series 2 CB, an aggregate of 200,000,000 Shares would be issued.

Assuming that there is no change in share capital of the Company since 30 June 2018 and the Conversion Rights are exercised in full at the initial Series 1 CB conversion price and the amended initial Series 2 CB conversion price, the number of issued shares of the Company will be increased by 200,000,000, representing approximately 18.79% of the issued share capital of the Company as at 30 June 2018 (i.e. 1,064,564,000 Shares) and approximately 15.82% of the issued share capital of the Company as enlarged by the allotment and issue of the conversion shares. Such allotment and issue of the conversion shares will result in the respective shareholdings of the shareholders being diluted by approximately 15.82%.

Based on the cash and cash equivalent as at 30 June 2018, the Company does not have the ability to meet its redemption obligations under both Series 1 CB and Series 2 CB. However, the Company proposes to issue another convertible bonds for rising fund to redeem the Series 1 CB and Series 2 CB, details of which are set out in the paragraph headed “Connected Transaction in relation to Subscription for Convertible Bonds under Specific Mandate” under the section headed “Other Information” in this report. The maturity date of Series 1 CB and Series 2 CB is 29 December 2018, with possible extension of another year subject to the Purchaser’s approval. Based on the implied internal rate of returns and other relevant parameters of Series 1 CB and Series 2 CB, the Share price at 29 December 2018 at which it would be equally financially advantageous for the Purchaser to convert or redeem was HK\$0.69.

Assuming there is no change in the shareholding of the substantial shareholder (within the meaning of the Listing Rules) of the Company since 30 June 2018, the shareholding of the substantial shareholder of the Company as at 30 June 2018 immediately before and after the exercise of the Conversion Rights is set out below for illustration purposes:

Name of Shareholder	Shareholding immediately before the exercise of the Conversion Rights		Shareholding immediately after the exercise of the Conversion Rights	
	Number of Shares held	Approximate percentage of shareholding	Number of Shares held	Approximate percentage of shareholding
Praise Treasure Limited <i>(Note)</i>	484,040,000	45.47%	484,040,000	38.28%

*Note:*

Praise Treasure Limited is wholly owned by Mr. Chen.

## SECURITY

The Convertible Bonds are secured by (i) the share charge (“Share Charge”) in respect of 474,040,000 Shares (“Relevant Shares”) held by the Praise Treasure Limited (“Chargor”, together with the Company and Mr. Chen as “Obligor”) in favour of the Purchaser; and (ii) the personal guarantee executed by Mr. Chen in favour of the Purchaser (“Guarantee”, together with the Share Charge, the “Security”).

Pursuant to the Share Charge, the Chargor, as beneficial owner of the Relevant Shares and the additional Shares as may be transferred to the CCBI Account (as defined below) by the Chargor as a result of the granting of additional security over additional Shares (collectively as “Charged Shares”), shall charge to the Purchaser, by way of first fixed charge all of the rights which it now has and all of the rights which it obtains at any time in the future in (a) the Charged Shares; (b) the securities account of the Chargor established with CCB International Securities Limited (including any renewal or redesignation thereof)(“CCBI Account”); and (c) any rights accruing to, derived from or otherwise connected with the Charged Shares (including dividends and proceeds of disposal).

On 4 July 2017, the Chargor pledged additional 6,000,000 Shares as additional security.

Pursuant to the Guarantee, Mr. Chen has undertaken to the Purchaser that for so long as any Convertible Bonds remain outstanding, among others:

- (a) he will at all times remain as the sole shareholder of the entire issued share capital of the Chargor and the sole director of the Chargor;
- (b) he will ensure that the Chargor at all times remains as the Shareholder with the single largest direct shareholding in the Company; and
- (c) he will at all times remain as the chairman of the Board.

The Share Charge, which subsisted during the period under review and as at the date of this interim report, is discloseable pursuant to Rule 13.17 of the Listing Rules. The Guarantee subsisted in the period under review and as at the date of this interim report.

### **SPECIFIC PERFORMANCE OBLIGATIONS ON MR. CHEN AND THE CHARGOR**

In addition to those disclosed above, the conditions of the Convertible Bonds (“Bond Conditions”), which subsisted in the period under review and as at the date of this interim report, also contain certain specific performance obligations on Mr. Chen and the Chargor, which require disclosure pursuant to Rule 13.18 of the Listing Rules.

It is an event of default (“Event of Default”) under the Bond Conditions, if, amongst others:

- (1) Change of control: (i) any person or persons, acting together, acquires control of the Company; (ii) Mr. Chen ceases to be the single largest beneficial owner of the issued Shares; (iii) Mr. Chen ceases to be the chairman of the Board; (iv) the Chargor ceases to be the single largest Shareholder; or (v) unless with the written approval of Bondholders, the Company consolidates with or merges into or sells or transfers all or a substantial part exceeding 30% of the Company’s total assets or 50% of the Company’s net assets, whichever is higher, to any other person, unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring control over the Company or the successor entity;
- (2) Breach of terms or obligations: any Obligor defaults in the performance or observance of any term of any Transaction Document which is binding on it, or of its other obligations under or in respect of the Convertible Bonds or any Transaction Document, including but not limited to any obligations of the Chargor or Mr. Chen in relation to the grant of additional security over additional Shares in the event of the Collateral Coverage Ratio (as defined in the Subscription Agreement) for any Trading Day (as defined in the Subscription Agreement) falling below 1.6; or
- (3) Cross-default of any of the Obligor: (i) an event of default under the conditions of the Series 1 CB or the conditions of Series 2 CB, as the case may be; (ii) any indebtedness of the Company or any other Obligor is not paid when due or (as the case may be) within any originally applicable grace period; (iii) indebtedness becoming (or becoming capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the relevant Obligor; or (iv) failure to pay when due any amount payable by it under any guarantee of any indebtedness by the Company or any other Obligor.

If an Event of Default has occurred, the Bondholder shall have the right by notice to the Company to, among others, require the Company to, in addition to and without prejudice to any of its other payment obligations under the Bond Conditions, pay the default interest to such Bondholder in accordance with the Bond Conditions. Pursuant to the Supplemental Deed and the Second Supplemental Deed, the Purchaser has agreed to waived some of the default interest in accordance with the terms and conditions of the Supplemental Deed and the Second Supplemental Deed.

On 29 May 2018, the Company executed the Second Supplemental Deed with, among others, the Purchaser, pursuant to which the parties conditionally agreed to, among others, further amend certain terms of the Subscription Agreement and enter into the Second Supplemental Bond Instruments to further amend certain terms and conditions and obtain waiver to certain covenant of the Convertible Bonds. Pursuant to the Second Supplemental Bond Instruments, the definition of "Security Top-Up Triggering Event" was amended to refer to a situation where the Collateral Coverage Ratio on any Trading Day falls below 1.75 for three consecutive Trading Days, instead of the original situation where the Collateral Coverage Ratio on any Trading Day falls below 1.6. The Second Supplemental Bond Instruments were executed by the Company on 6 June 2018.

As at the date of the Subscription Agreement, the Supplemental Deed and the Second Supplemental Deed, the closing price of the Share as quoted on the Stock Exchange amounted to HK\$0.51, HK\$0.415 and HK\$0.5, respectively.

Details of the Convertible Bonds, the amendments to the Convertible Bonds and the second amendments to the Convertible Bonds are set out in the Company's announcements dated 15 December 2016, 29 December 2016, 20 July 2017 and 29 May 2018.

## **CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION FOR CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

On 27 June 2018, the Company entered into the 2018 Subscription Agreement with Mr. Chen, pursuant to which the Company has conditionally agreed to issue, and Mr. Chen has conditionally agreed to subscribe for, the 2018 Convertible Bonds in the aggregate principal amount of HK\$134,500,000.

Under the terms and conditions of the 2018 Convertible Bonds, the 2018 Convertible Bonds are unsecured, non-interest bearing and convertible into Shares at the initial conversion price of HK\$0.50 per Share (subject to adjustments). The maturity of the 2018 Convertible Bonds will be the date falling on the second anniversary of the date of issue of the 2018 Convertible Bonds. Assuming full conversion of the 2018 Convertible Bonds at the initial conversion price of HK\$0.50, 269,000,000 Shares (with aggregate nominal value of HK\$269,000) will be issued under a specific mandate.

The gross proceeds and net proceeds from the issue of the 2018 Convertible Bonds will be HK\$134,500,000 and approximately HK\$132,755,000 respectively. Based on the estimated net proceeds from the issue of the 2018 Convertible Bonds and a total of 269,000,000 Shares to be issued at the initial conversion price of HK\$0.50 upon exercise of the conversion rights attached to the 2018 Convertible Bonds in full, the net subscription price per Share would be approximately HK\$0.49. It is intended that the Company shall utilise the net proceeds from the issue of the 2018 Convertible Bonds for the repayment of the Convertible Bonds.

Mr. Chen is the chairman of the Board and the chief executive officer and a controlling shareholder of the Company and is therefore a connected person of the Company. As at the date of the 2018 Subscription Agreement, Mr. Chen was beneficially interested in 484,040,000 Shares, representing approximately 45.47% of the existing issued share capital of the Company. Upon full conversion of the 2018 Convertible Bonds, 269,000,000 Shares will be allotted and issued to Mr. Chen (or his nominee) and the interests of Mr. Chen and parties acting in concert with him in the voting rights of the Company will increase from approximately 45.47% to approximately 56.47% (assuming that there is no change in the issued share capital of the Company up to the Completion). Accordingly, Mr. Chen would be obliged to make a mandatory general offer to the shareholders of the Company for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by him pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers as such increase will have the effect of increasing Mr. Chen's holding of voting rights of the Company by more than 2% from the lowest percentage holding of Mr. Chen within the period of 12 months, unless the waiver ("Whitewash Waiver") is obtained from the Executive Director of the Corporate Finance Division of the Securities and Futures Commission ("Executive").

An extraordinary general meeting of the Company (“EGM”) will be held on 3 September 2018 to consider and, if thought fit, approve, among other things: (i) the 2018 Subscription Agreement and the transactions contemplated thereunder; (ii) the grant of the specific mandate for the allotment and issue of the Shares upon conversion of the 2018 Convertible Bonds; and (iii) the application for the Whitewash Waiver, whereby Mr. Chen and parties acting in concert with him and their respective associates and other shareholders who are interested or involved in the 2018 Subscription Agreement and/or the Whitewash Waiver shall abstain from voting on the relevant resolution(s).

The 2018 Subscription Agreement and the transactions contemplated thereunder will not proceed if the Whitewash Waiver is not granted by the Executive or the 2018 Subscription Agreement and the transactions contemplated thereunder and the application for the Whitewash Waiver are not approved by the independent shareholders of the Company at the EGM.

#### **REASONS FOR THE SUBSCRIPTION**

As announced by the Company on 29 December 2016, the Company issued the Convertible Bonds in the aggregate principal amount of HK\$120,000,000. The Convertible Bonds will be due on the second anniversary of the issue date of the Convertible Bonds (i.e. 29 December 2018). The holder of the Convertible Bonds was not a shareholder of the Company as at the date of the 2018 Subscription Agreement. If the Convertible Bonds are not extended prior to the maturity date, which is subject to the prior written approval of the holder of the Convertible Bonds pursuant to the terms of the Convertible Bonds and the holder of the Convertible Bonds does not exercise the conversion rights attaching to the Convertible Bonds before the maturity date of the Convertible Bonds, which is not likely as the conversion price of the Convertible Bonds is higher than the current market price of shares of the Company, the Company will be obliged to repay the total outstanding principal amount and interests accrued under the Convertible Bonds on the maturity date. As disclosed in the annual report of the Company for the year ended 31 December 2017, the Group funds its operations principally from cash generated from its operations, bank borrowings and other debt instruments and equity financing from investors. Its cash requirements relate primarily to operating activities, business expansion, repayment of liabilities as they become due, capital expenditures, interest and dividend payments. The Group had total cash and cash equivalents of approximately RMB35 million as at 31 December 2017. If the Convertible Bonds become due, the Company may not have sufficient cash to repay the outstanding amount of the Convertible Bonds.

Taking into account that (i) the 2018 Convertible Bonds shall not bear any interest; (ii) there is an annual fee of 1% of the aggregate principal amount of the outstanding Convertible Bonds whereas there is no such annual fee under the terms of the 2018 Convertible Bonds; and (iii) the Conversion Price of HK\$0.50 of the 2018 Convertible Bonds is at a premium of approximately 4.17% over the closing price of HK\$0.48 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement (i.e. 27 June 2018) whereas the conversion price of the Convertible Bonds is HK\$0.6 and at a premium over the closing price of HK\$0.48 per Share as quoted on the Stock Exchange on the date of the Subscriptions Agreement (i.e. 27 June 2018) the Board (other than Mr. Chen who was required to abstain from voting on the relevant Board resolution(s) approving the 2018 Subscription Agreement by virtue of him having a material interest in the 2018 Subscription Agreement) considered that the terms of the 2018 Convertible Bonds are more favourable to the Company compared with the Convertible Bonds.

The Company intends to issue the 2018 Convertible Bonds, the net proceeds of which will be utilised to redeem the Convertible Bonds, the outstanding interest and all relevant cost of the Company to redeem the Convertible Bonds in the aggregate amount of HK\$132,755,000. The issue of the 2018 Convertible Bonds to redeem the Convertible Bonds will release financial pressure of the Group to repay the Convertible Bonds when they fall due and improve overall financial position of the Group. The Company will, after the 2018 Subscription Agreement has become unconditional, give not less than thirty business days' notice to the holder of the Convertible Bonds for the early redemption of the Convertible Bonds such that the Company will, upon Completion, apply the net proceeds to redeem the Convertible Bonds.



The Company has considered other alternative fundraising methods such as debt financing, placing of new shares and rights issue or open offer. The Board considered that debt financing may incur interest burden on the Group and may be subject to lengthy due diligence and negotiations with the banks with reference to the Group's financial position and the then financial market condition and it may be relatively uncertain and time-consuming. The Board considered that the Company will need to pay commission to the placing agent and the Company will incur additional costs to raise fund by way of placing. It is also commercially impracticable to place new shares at the current market price of shares of the Company as there will be no incentive for the investors to acquire shares of the Company through the placing agent provided that they could have acquired the shares of the Company at the same price on the market. The Board also considered that the Company will incur additional time and costs to raise fund by way of rights issue or open offer as these will involve the registration and issue of prospectus and offer documents by the Company and will be subject to the approval by the Stock Exchange. The Company will also incur underwriting commission and additional administrative and professional expenses to comply with the requirements under the Listing Rules to raise fund by way of rights issue or open offer.

Based on the above, the Directors (other than Mr. Chen who was required to abstain from voting on the relevant Board resolution(s) approving the 2018 Subscription Agreement by virtue of him having a material interest in the 2018 Subscription Agreement) consider that the terms and conditions of the 2018 Subscription Agreement as well as the terms of the 2018 Convertible Bonds are fair and reasonable, on normal commercial terms, and in the interests of the Group and the shareholders as a whole.

Further details of the 2018 Subscription Agreement and the Whitewash Waiver are set out in the Company's announcement dated 27 June 2018, 17 July 2018, 3 August 2018, 17 August 2018 and the Company's circular dated 17 August 2018.

#### **DIVIDEND**

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2018.

## 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 six months ended 30 June 2018, the Company has complied with the code provisions set out in the CG Code, except for the code provision A.2.1 of the CG Code.

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

As at the date of this report, the Audit Committee comprises three independent non-executive Directors, 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 results for the six months ended 30 June 2018 and this report.

### **CHANGE IN DIRECTORS' INFORMATION**

On 6 February 2018, Mr. Masahiro Honna resigned as a non-executive Director.

On 3 April 2018, Mr. Zhang Xiongfeng was appointed as a non-executive director of Zhi Cheng Holdings Limited, shares of which are listed on GEM of the Stock Exchange (Stock code: 8130).

On 28 June 2018, Mr. Zhou Jian retired as an executive Director.

On 1 August 2018, Mr. Chen Rongxin was appointed as an executive Director and Mr. Lu Yongchao was appointed as an independent non-executive Director.

On 7 August 2018, Mr. Chen Rongxin resigned as an executive Director and Mr. Lu Yongchao resigned as an independent non-executive Director.

Save as disclosed above, as at the date of this report, there were no substantial changes to the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all the Directors have complied with the required standard as set out in the Model Code during the six months ended 30 June 2018.

### **DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE**

Other than those transactions disclosed in note 23 to the condensed consolidated interim financial information in this report and those disclosed under the paragraphs headed "Issue of the Convertible Bonds" and "Connected Transaction in relation to Subscription for Convertible Bonds under Specific Mandate" above, no Director has any material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent companies were a party subsisted at the end of the period or at any time during the six months ended 30 June 2018.

## SHARE OPTION SCHEME

The Company adopted the Scheme on 26 May 2015 for the purpose of rewarding certain Eligible Persons (as defined below) for their past contributions and attracting and retaining, or otherwise maintaining on-going relationships with, such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. Subject to the earlier termination of the Scheme in accordance with the rules thereof, the Scheme shall remain in force for a period of ten years commencing from 26 May 2015.

Eligible participants of the Scheme include, (i) any proposed, full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (ii) any director or proposed director (including an independent non-executive director) of the Company or any of its subsidiaries; (iii) any direct or indirect shareholder of the Company or any of its subsidiaries; (iv) any supplier, customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of the Company or any of its subsidiaries; (v) any person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to the Company or any of its subsidiaries and (vi) any associate of any of the persons referred to in paragraphs (i) to (v) above (the persons referred above are the "Eligible Persons").

In accordance with the resolutions passed at the annual general meeting of the Company held on 8 June 2017 ("2017 AGM"), the maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the date of the 2017 AGM, i.e. 100,000,000 Shares. As at 30 June 2018, the total number of securities available for issue under the Scheme pursuant to its terms was 100,000,000 Shares, representing in aggregate 9.39% of the Company's issued share capital as at the date of this interim report. Subject to the issue of a circular by the Company and the approval of the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the shares in issue as at the date of the approval by the shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to the Eligible Persons specifically identified by the Board.

Notwithstanding the foregoing, the maximum number of Shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the Shares in issue from time to time.

The maximum number of Shares issued and to be issued upon the exercise of options granted under the Scheme (including exercised or outstanding options) to each grantee within any 12-month period, is limited to 1% of the Shares in issue at any time. Any further grant of options in excess of this 1% limit shall be subject to: (i) the issue of a circular by the Company; and (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder (within the meaning of the Listing Rules) or an independent non-executive Director, or to any of their associates, in excess of 0.1% of the Shares in issue at any time and with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to Shareholders' approval in advance in a general meeting.

The Board shall not offer the grant of any option to any Eligible Person after inside information has come to its knowledge until it has announced the information pursuant to the requirements of the Listing Rules. In particular, no option shall be granted during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and the deadline for the Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements provided that no option may be granted during any period of delay in publishing a results announcement.

The exercise period of the share options granted is determinable by the Directors, which period may commence from the date of the offer of the share options, and ends on a date which is not later than ten years from the date of grant of the share options subject to the provisions for early termination thereof. There is no minimum period for which an option must be held before it can be exercised. Participants of the Scheme are required to pay the Company HK\$1.0 upon acceptance of the grant within 28 days after the offer date.

The exercise price of the share options is determinable by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as quoted on the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of the Shares as quoted on the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of offer; and (iii) the nominal value of a Share.

The details of share options granted under the Scheme as at 30 June 2018 are set out as follows:

Name	Date of grant	Vesting date	Number of share options				Outstanding as at 30 June 2018	
			Outstanding as at 1 January 2018	Granted during the period	Exercised during the period	Lapsed during the period		Cancelled during the period
Mr. Zhang Xiongfeng (a non-executive Director)	8 July 2016	8 July 2016	8,000,000 (Note)	-	-	-	-	8,000,000
Employees in aggregate	8 July 2016	8 July 2016	54,700,000 (Note)	-	-	-	-	54,700,000
Other eligible participates in aggregate	8 July 2016	8 July 2016	37,300,000 (Note)	-	-	-	-	37,300,000
Total			100,000,000	-	-	-	-	100,000,000

*Note:* The exercise price of these options is HK\$0.60 and the exercise period is from 8 July 2016 to 31 December 2019, both dates inclusive. The closing price of the Shares immediately preceding the date of grant of these options was HK\$0.59. The Company received HK\$1 from each of the grantees of these options upon acceptance of the options granted.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 30 June 2018, the interests and short positions of the directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), Chapter 571 of the Laws of Hong Kong), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 to the Listing Rules were as follows:

### Long positions in the Shares

Name of Director	Capacity/ nature of interest	Number of Shares held	Approximate percentage of shareholding <i>(Note 1)</i>
Mr. Chen Yenfei <i>(Note 2)</i>	Interest of a controlled corporation	484,040,000	45.47%
Mr. Shen Shun	Beneficial owner	2,500,000	0.23%
Mr. Zhang Xiongfeng	Beneficial owner	15,382,000	1.44%

#### Notes:

- The total number of Shares in issue as at 30 June 2018 (i.e. 1,064,564,000 Shares) has been used for the calculation of the approximate percentage of interest.
- Mr. Chen Yenfei holds 100% of the issued share capital of Praise Treasure Limited and is therefore deemed to be interested in the 484,040,000 Shares held by Praise Treasure Limited in the Company.

**Long positions in the underlying Shares**

<b>Name of Director</b>	<b>Capacity/ nature of interest</b>	<b>Number of underlying Shares held</b>	<b>Approximate percentage of shareholding (Note 1)</b>
Mr. Chen Yenfei	Beneficial owner	269,000,000 (Note 2)	25.27%
Mr. Zhang Xiongfeng	Beneficial owner	8,000,000 (Note 3)	0.75%

*Notes:*

1. The total number of Shares in issue as at 30 June 2018 (i.e. 1,064,564,000 Shares) has been used for the calculation of the approximate percentage of interest.
2. These are 269,000,000 underlying Shares in which Mr. Chen Yenfei is interested because Mr. Chen Yenfei became the holder of, wrote or issued equity derivatives under which he has a right to take the underlying Shares.
3. These are 8,000,000 Shares to be issued upon exercise of the unlisted physically settled share options granted to Mr. Zhang Xiongfeng on 8 July 2016 pursuant to the Scheme and can be exercised by Mr. Zhang Xiongfeng between 8 July 2016 to 31 December 2019 at the subscription price of HK\$0.60 per Share.

Save as disclosed above, as at 30 June 2018, none of the Directors and chief executive of the Company had or was deemed to have any interests or short position in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they had taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.



**DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as otherwise disclosed in this report, during the period under review, no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

**INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PARTIES IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY**

As at 30 June 2018, so far as the Directors and chief executive of the Company were aware, the following persons and corporations (excluding the Directors and chief executive of the Company) had interests or short positions in any of the Shares or underlying Shares which were required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO.

**(i) Substantial shareholder's long position in the Shares**

<b>Name of Shareholder</b>	<b>Capacity/ nature of interest</b>	<b>Number of Shares held</b>	<b>Approximate percentage of shareholding</b> <i>(Note 1)</i>
Praise Treasure Limited <i>(Note 2)</i>	Beneficial owner	484,040,000	45.47%

**(ii) Other persons' long position in the Shares**

<b>Name of Shareholder</b>	<b>Capacity/ nature of interest</b>	<b>Number of Shares held</b>	<b>Approximate percentage of shareholding</b>
Central Huijin Investment Ltd. <i>(Note 3)</i>	Person having a security interest in shares	480,040,000	45.09%
China Construction Bank Corporation <i>(Note 3)</i>	Person having a security interest in shares	480,040,000	45.09%

*Notes:*

1. The total number of Shares in issue as at 30 June 2018 (i.e. 1,064,564,000 Shares) has been used for the calculation of the approximate percentage of interest.
2. Praise Treasure Limited directly holds 484,040,000 Shares representing approximately 45.47% of the issued share capital of the Company.
3. According to the corporate substantial shareholder notices dated 23 November 2017 filed by each of Central Huijin Investment Ltd. and China Construction Bank Corporation, Chance Talent Management Limited ("Chance Talent") is interested in 480,040,000 Shares. Chance Talent is a wholly-owned subsidiary of CCBI Investments Limited ("CCBII"). CCBII is a wholly-owned subsidiary of CCB International (Holdings) Limited ("CCBIH"). CCBIH is a wholly-owned subsidiary of CCB Financial Holdings Limited ("CCBFH"). CCBFH is a wholly-owned subsidiary of CCB International Group Holdings Limited ("CCBIGH"). CCBIGH is a wholly-owned subsidiary of China Construction Bank Corporation, which is owned as to 57.11% by Central Huijin Investment Ltd.

**(iii) Other persons' long positions in the underlying Shares**

<b>Name of Shareholder</b>	<b>Capacity/ nature of interest</b>	<b>Number of underlying Shares held</b>	<b>Approximate percentage of shareholding (Note 1)</b>
Central Huijin Investment Ltd. (Note 2)	Interest of controlled corporations	200,000,000	18.79%
China Construction Bank Corporation (Note 2)	Interest of controlled corporations	200,000,000	18.79%

*Notes:*

1. The total number of Shares in issue as at 30 June 2018 (i.e. 1,064,564,000 Shares) has been used for the calculation of the approximate percentage of interest.
2. According to the corporate substantial shareholder notices dated 23 November 2017 filed by each of Central Huijin Investment Ltd. and China Construction Bank Corporation, these underlying Shares are unlisted physically settled derivatives which are held by Chance Talent. Chance Talent is a wholly-owned subsidiary of CCBII. CCBII is a wholly-owned subsidiary of CCBIH. CCBIH is a wholly-owned subsidiary of CCBFH. CCBFH is a wholly-owned subsidiary of CCBIGH. CCBIGH is a wholly-owned subsidiary of China Construction Bank Corporation, which is owned as to 57.11% by Central Huijin Investment Ltd.

Save as disclosed above, as at 30 June 2018, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in any of the Shares or underlying Shares which were required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 31 August 2018