百信集团
PASHUN GROUP

Pa Shun International Holdings Limited
百信國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 574)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 2019 together with the comparative figures for the corresponding period in 2018. The Group's interim results are unaudited, but have been reviewed by the audit committee of the Company (the "**Audit Committee**").

INTERIM RESULTS HIGHLIGHTS

- Revenue amounted to approximately RMB452,188,000 (2018: approximately RMB418,295,000).
- Profit for the period amounted to approximately RMB4,789,000 (2018: approximately RMB7,971,000).
- Basic earnings per share for the six months ended 30 June 2019 amounted to approximately RMB0.32 cent (Basic earnings per share for the six months ended 30 June 2018: RMB0.75 cent).
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (2018: Nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3(a)*	**452,188**	418,295
Cost of sales		**(420,156)**	(377,044)
Gross profit		**32,032**	41,251
Other income and gains	*4(a)*	**11,535**	13,985
Other losses	*4(b)*	**(2,897)**	(4,797)
Selling and distribution expenses		**(6,495)**	(11,410)
General and administrative expenses		**(19,837)**	(18,252)
Finance costs	*5*	**(6,137)**	(7,930)
Share of profit of associate		**651**	164
Profit before tax	*6*	**8,852**	13,011
Income tax expense	*7*	**(4,063)**	(5,040)
Profit for the period		**4,789**	7,971
Profit for the period attributable to:			
Equity shareholders of the Company		**4,614**	7,971
Non-controlling interests		**175**	–
		4,789	7,971

		Six months ended 30 June	
		2019	2018
		RMB cent	*RMB cent*
		(unaudited)	(unaudited)
Earnings per share	*8*		
Basic		**0.32**	0.75
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period	**4,789**	7,971
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities outside the People's Republic of China ("**PRC**" or "**China**")	**1,376**	5,874
Total comprehensive income for the period	**6,165**	13,845
Total comprehensive income for the period attributable to:		
Equity shareholders of the Company	**5,990**	13,845
Non-controlling interests	**175**	–
	6,165	13,845

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	**30 June 2019** **RMB'000** **(unaudited)**	31 December 2018 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**53,478**	58,026
Right-of-use assets		**3,977**	–
Prepaid land lease payments		**–**	2,315
Interests in associates		**50,580**	9,382
Goodwill		**–**	5,942
Other intangible assets		**34,830**	886
Prepayments for intangible assets		**17,000**	17,000
Financial assets at fair value through other comprehensive income		**25,000**	–
Other non-current assets		**209,670**	192,769
Deferred tax assets		**4,736**	4,117
		399,271	290,437
CURRENT ASSETS			
Inventories		**71,324**	55,573
Trade and other receivables	*10*	**467,931**	422,193
Prepayments and deposits paid		**180,690**	259,054
Amount due from an associate		**–**	10,834
Amounts due from related parties		**116**	1,078
Pledged bank deposits		**106**	41,111
Cash and cash equivalents		**53,479**	48,831
		773,646	838,674
CURRENT LIABILITIES			
Trade and other payables	*11*	**118,996**	94,277
Bank borrowings		**6,000**	35,824
Amount due to a shareholder		**–**	3,413
Amounts due to associates		**2**	–
Amounts due to related parties		**127**	144
Amounts due to non-controlling interests		**5,875**	5,143
Corporate bonds payable		**5,427**	5,074
Income tax payable		**11,351**	13,930
		147,778	157,805
NET CURRENT ASSETS		**625,868**	680,869
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,025,139**	971,306

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2019

	Notes	**30 June 2019** *RMB'000* **(unaudited)**	31 December 2018 *RMB'000* (audited)
NON-CURRENT LIABILITIES			
Deferred income – government grant		**24,309**	24,565
Corporate bonds payable		**87,247**	82,336
Lease liabilities		**354**	–
Deferred tax liabilities		**–**	7,932
		111,910	114,833
NET ASSETS		**913,229**	856,473
CAPITAL AND RESERVES			
Share capital		**1,216**	1,116
Reserves		**926,061**	869,580
Total equity attributable to equity shareholders of the Company		**927,277**	870,696
Non-controlling interests		**(14,048)**	(14,223)
TOTAL EQUITY		**913,229**	856,473

NOTES

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information has 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 information has been prepared in accordance with the same accounting policies adopted in the 2018 annual consolidated financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual consolidated financial statements. Details of any changes in accounting policies are set out in note 2. The interim financial results are unaudited but have been reviewed by the Audit Committee.

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.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures

Other than as explained below regarding the impact of HKFRS 16 "Leases", the application of other new and amended standards effective in respect of the current period had not resulted in significant impact on the Group's condensed consolidated interim financial information. The Group has also not applied any new or amended standards that are not effective in respect of the current period.

HKFRS 16 Leases

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities and other payables. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

(a) The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *RMB'000* (Unaudited)
Assets	
Non-current assets	
Increase in right-of-use assets	4,858
Decrease in prepaid land lease payments	(2,315)
Current assets	
Decrease in prepayments and deposits paid	(65)
Increase in total assets	2,478
Liabilities	
Current liabilities	
Increase in trade and other payables	1,511
Non-current liabilities	
Increase in lease liabilities	967
Increase in total liabilities	2,478

(b) Nature of the effect of adoption of HKFRS 16

The lease liabilities as at 1 January 2019 reconciled to the operating leases commitments as at 31 December 2018 is as follows:

	RMB'000
Operating lease commitments as at 31 December 2018 (audited)	2,482
Weighted average incremental borrowing rate as at 1 January 2019	5.13%
Discounted operating lease commitments as at 1 January 2019	2,389
Add: Prepaid lease payments	100
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019 and low-value assets	(11)
Lease liabilities as at 1 January 2019 (unaudited)	2,478

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Amounts recognised in the statement of financial position and profit or loss

	Right-of-use assets	**Lease liabilities and other payables**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
As at 1 January 2019		
Reallocated from prepaid land lease payments	2,478	2,478
Recognition of lease liabilities	2,380	–
	4,858	2,478
Depreciation charge	(676)	–
Disposal	(206)	–
Interest expense	–	52
Payments	–	(798)
Exchange difference	1	–
As at 30 June 2019	3,977	1,732

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:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Pharmaceutical distribution	**415,127**	380,438
Self-operated retail pharmacies	**1,255**	1,853
Pharmaceutical manufacturing	**35,806**	36,004
	452,188	418,295

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

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 2019 and 2018. Accordingly, no analysis by geographical segments has been provided for the six months ended 30 June 2019 and 2018.

No analysis of the Group's assets and liabilities by operating segments was regularly provided to the chief operating decision makers for review during the six months ended 30 June 2019 and 2018 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.

(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 2019 and 2018 is set out below.

	Six months ended 30 June 2019 (unaudited)							
	Pharmaceutical distribution							
	Sales to wholesalers	Sales to franchise retail pharmacy chain stores	Sales to hospitals and other medical institutions in rural areas	Others	Sub-total	Self-operated retail pharmacies	Pharmaceutical manufacturing	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	355,584	19,882	30,230	9,431	415,127	1,255	35,806	452,188
Inter-segment revenue	–	–	–	–	–	–	110	110
Reportable segment revenue	355,584	19,882	30,230	9,431	415,127	1,255	35,916	452,298
Reportable segment profit/(loss)	7,546	855	6,294	1,536	16,231	(463)	16,253	32,021
Other segment information								
Depreciation and amortisation	–	–	–	–	–	–	58	58

	Six months ended 30 June 2018 (unaudited)							
	Pharmaceutical distribution							
	Sales to wholesalers	Sales to franchise retail pharmacy chain stores	Sales to hospitals and other medical institutions in rural areas	Others	Sub-total	Self-operated retail pharmacies	Pharmaceutical manufacturing	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue		
Reportable segment revenue	**452,298**	419,140
Elimination of inter-segment revenue	**(110)**	(845)
Consolidated revenue *(note 3(a))*	**452,188**	418,295
Profit		
Reportable segment profit	**32,021**	41,259
Elimination of inter-segment loss/(profit)	**11**	(8)
Gross profit derived from external customers	**32,032**	41,251
Other income and gains	**11,535**	13,985
Other losses	**(2,897)**	(4,797)
Selling and distribution expenses	**(6,495)**	(11,410)
General and administrative expenses	**(19,837)**	(18,252)
Finance costs	**(6,137)**	(7,930)
Share of profit of associate	**651**	164
Consolidated profit before tax	**8,852**	13,011

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Other items		
Depreciation and amortisation		
Reportable segment total	**58**	444
Unallocated total	**1,780**	3,027
Consolidated total	**1,838**	3,471

4. OTHER INCOME AND GAINS AND OTHER LOSSES

(a) Other income and gains

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Franchise fee	**3,893**	2,086
Bank interest income	**34**	117
Rental income	**2**	–
Deferred income – government grant	**256**	256
Exchange gain	**560**	–
Gain on disposal of property, plant and equipment	**13**	–
Gain on change in fair value of derivative financial instruments	**–**	960
Gain on disposal of subsidiary	**5,516**	–
Gain on disposal of intangible assets	**–**	566
Reversal of impairment on deposits paid for acquisition of property, plant and equipment	**–**	10,000
Reversal of impairment loss in other receivables	**32**	–
Others	**1,229**	–
	11,535	13,985

(b) Other losses

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss on disposal of associate	**1,916**	–
Write-off of property, plant and equipment	**7**	–
Loss in connection with land exchange	**–**	4,797
Impairment loss on:		
– inventories	**119**	–
– other receivables	**855**	–
	2,897	4,797

5. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings	**967**	146
Corporate bonds payable	**5,039**	4,444
Convertible bonds	**–**	3,152
Lease liabilities	**52**	–
Other borrowings	**79**	–
Bills charges and other bank charges	**–**	188
	6,137	7,930

6. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cost of inventories sold *(note i)*	**420,156**	377,044
Salaries, wages and other benefits	**6,337**	7,119
Contributions to defined contribution retirement plans	**224**	1,011
Total staff costs *(note ii)*	**6,561**	8,130
Amortisation of other intangible assets	**1,056**	88
Amortisation of prepaid land lease payments	**–**	153
Depreciation of property, plant and equipment	**1,838**	3,230
Depreciation of right-of-use assets	**676**	–
Auditors' remuneration		
Audit services	**–**	142
Non-audit services	**217**	162
Operating lease charges in respect of property rentals	**–**	484

Notes:

(i) Cost of inventories sold for the six months ended 30 June 2019 includes staff costs and depreciation and amortisation expenses totalled RMB346,000 (six months ended 30 June 2018: RMB509,000) 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	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax – PRC Enterprise Income Tax		
Provision for the period	**4,682**	7,493
Deferred tax		
Origination and reversal of temporary differences	**(619)**	(2,453)
	4,063	5,040

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 2019 and 2018 has been made in the condensed 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. EARNINGS PER SHARE

a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2019 is based on the profit attributable to equity shareholders of the Company of RMB4,614,000 (six months ended 30 June 2018: RMB7,971,000) and the weighted average of 1,420,566,000 ordinary shares (six months ended 30 June 2018: 1,064,564,000 ordinary shares) in issue.

b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2019 and 2018 is based on the following data:

(i) Earnings

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings for the purpose of basic earnings per share	**4,614**	7,971
Effect of diluted potential ordinary shares		
Interest on convertible bonds	**–**	3,152
Gain on change in fair value of derivative financial instruments	**–**	(960)
Earnings for the purpose of diluted earnings per share	**N/A**	N/A

(ii) Number of shares

	Six months ended 30 June	
	2019	2018
	Number of shares	*Number of shares*
	'000	*'000*
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,420,566**	1,064,564
Effect of conversion of convertible bonds	**–**	200,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**N/A**	N/A

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

No diluted earnings per share for the six months ended 30 June 2019 is presented as, except for aforementioned, there are no potential ordinary shares in issue during the period.

No diluted earnings per share for the six months ended 30 June 2018 is presented as the effects of conversion of the convertible bonds would result in an increase in the earnings per share for that period.

9. DIVIDENDS

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2019 (2018: Nil).

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2019 *RMB'000* (unaudited)	At 31 December 2018 *RMB'000* (audited)
Trade and commercial bills receivables	**372,388**	346,191
Bank bills receivables	**207**	1,325
Other receivables	**95,336**	74,677
	467,931	422,193

Ageing analysis of trade and commercial bills receivables

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

	At 30 June 2019 *RMB'000* (unaudited)	At 31 December 2018 *RMB'000* (audited)
Within 1 month	**81,486**	86,861
1 to 3 months	**133,447**	114,552
4 to 6 months	**55,934**	76,497
Over 6 months	**101,521**	68,281
Trade and commercial bills receivables, net of allowance for doubtful debts	**372,388**	346,191

An average credit period of 30 to 180 days is granted by the Group to its customers (31 December 2018: 30 to 180 days).

11. TRADE AND OTHER PAYABLES

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Trade payables	**54,462**	30,428
Bills payables	**212**	11,730
Other payables, deposits received and accrued expenses	**64,322**	52,119
	118,996	94,277

Note:

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

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Within 1 month	**27,193**	4,855
1 to 3 months	**4,188**	3,570
Over 3 months	**23,081**	22,003
	54,462	30,428

The credit term granted to the Group by its suppliers is 30 to 180 days (31 December 2018: 30 to 180 days).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group continued to focus on the pharmaceutical distribution and pharmaceutical manufacturing businesses in the PRC during the six months ended 30 June 2019. For the self-operated retail pharmacies business, the Group continued to seek mergers and acquisitions opportunities in respect of established retail pharmacy chains in order to revitalize the business segment.

Revenue

For the six months ended 30 June 2019, the Group recorded a total revenue of RMB452.2 million, representing an increase of approximately 8.1% from RMB418.3 million for the corresponding period last year. This increase was primarily due to the growth in revenue from the Group's pharmaceutical distribution to wholesalers and hospitals and other medical institutions in rural areas.

Cost of Sales, Gross Profit and Gross Profit Margin

The Group's cost of sales increased by approximately 11.4% from RMB377.0 million for the six months ended 30 June 2018 to RMB420.2 million for the six months ended 30 June 2019. This increase was primarily due to increase in cost of sales for the Group's pharmaceutical distribution segment.

The Group's gross profit decreased by approximately 22.3% from RMB41.3 million for the six months ended 30 June 2018 to RMB32.0 million for the six months ended 30 June 2019. The Group's gross profit margin decreased from 9.9% for the six months ended 30 June 2018 to 7.1% for the six months ended 30 June 2019. Such decrease is primarily attributable to the increasing competition of pharmaceutical distribution to wholesalers and franchise retail pharmacy chain stores.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by approximately 43.1% from RMB11.4 million for the six months ended 30 June 2018 to RMB6.5 million for the six months ended 30 June 2019. This decrease was primarily due to the absence of depreciation of ephedra grass of 鹽池縣醫藥藥材有限公司 (Yanchi County Medical & Pharmaceutical Herbal Co., Ltd.*) ("**Yanchi County**"), a then wholly-owned subsidiary of the Company, during the six months ended 30 June 2019 as the ephedra grass held by Yanchi County had been disposed of by the Group in 2018.

General and Administrative Expenses

The Group's general and administrative expenses increased by approximately 8.7% from RMB18.3 million for the six months ended 30 June 2018 to RMB19.8 million for the six months ended 30 June 2019. The increase was mainly attributable to the amortisation of patents rights acquired in February 2019.

Other Income and Gains

Other income and gains decreased by approximately 17.5% from RMB14.0 million for the six months ended 30 June 2018 to RMB11.5 million for the six months ended 30 June 2019. The decrease was attributable to the absence of reversal of impairment on deposits paid for acquisition of property, plant and equipment for the six months ended 30 June 2019, as compared to the reversal of impairment on deposits paid for acquisition of property, plant and equipment of RMB10 million recorded for the six months ended 30 June 2018, offset by the gain on disposal of 100% equity interest in Yanchi County of RMB5.5 million recognised in the current interim period.

Other Losses

The Group recorded other losses of RMB2.9 million for the six months ended 30 June 2019, representing a decrease of approximately 39.6% from RMB4.8 million for the corresponding period last year. Such decrease was primarily due to the absence of loss in connection with land exchange for the six months ended 30 June 2019, as compared to a loss in connection with land exchange of RMB4.8 million recorded for the six months ended 30 June 2018, offset by the loss on disposal of 廈門特倫生物藥業有限公司 (Xiamen Telun Bio-Pharmaceutical Co., Ltd.*) (being a former associate of the Company) of RMB1.9 million recorded in the current interim period.

* *In English for identification purpose only*

Finance Costs

Finance costs decreased by approximately 22.6% from RMB7.9 million for the six months ended 30 June 2018 to RMB6.1 million for the six months ended 30 June 2019. The decrease was primarily due to the absence of interest on convertible bonds for the six months ended 30 June 2019 following the conversion of the convertible bonds into ordinary shares of the Company in 2018, as compared to an interest on convertible bonds of RMB3.2 million for the six months ended 30 June 2018.

Profit Before Tax

Profit before tax decreased by approximately 32.0% from RMB13.0 million for the six months ended 30 June 2018 to RMB8.9 million for the six months ended 30 June 2019. The decrease was primarily due to (i) the decrease in gross profit and (ii) increase in general and administrative expenses as disclosed above, offset by the decrease in selling and distribution expenses for the six months ended 30 June 2019.

Income Tax Expense

Income tax expense was RMB4.1 million for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB5.0 million).

Profit for the Period and Net Profit Margin

As a result of the foregoing, the Group's profit for the period decreased by approximately 39.9% from RMB8.0 million for the six months ended 30 June 2018 to RMB4.8 million for the six months ended 30 June 2019. The Group's net profit margin decreased from 1.9% for the six months ended 30 June 2018 to 1.1% for the six months ended 30 June 2019.

BUSINESS REVIEW

For the six months ended 30 June 2019, the Group's revenue generated by the pharmaceutical distribution segment amounted to RMB415.1 million, representing an increase of approximately 9.1% as compared with RMB380.4 million for the corresponding period last year. Such increase was primarily due to the vigorous competition of pharmaceutical distribution to wholesalers and franchise retail pharmacy chain stores, being the major sources of income for this segment, which deteriorated the gross profit margin.

For the six months ended 30 June 2019, the Group's revenue from the self-operated retail pharmacies segment amounted to RMB1.3 million (six months ended 30 June 2018: 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 2019, the Group's revenue from the pharmaceutical manufacturing segment amounted to RMB35.8 million (six months ended 30 June 2018: RMB36.0 million)

OUTLOOK

Against the backdrop of stable economic growth and pharmaceutical industry reform in China, the Group will continue to leverage on its solid foundation in Southwest China and make good use of its existing resources and networks to capture the opportunities to expand to other business through various business development strategies, including but not limited to the construction of international logistics centers to improve the operational efficiency of the distribution business of the Group. With the acquisition of two companies which indirectly hold interest in certain units located in the building called "The Apple" which is a multi-storey building located in Melaka, Malaysia during the current interim period, the Group made its first step to explore and invest in the Malaysian property market. The Company currently intends to hold the properties for investment purpose to generate rental income for the Group and will engage a local professional property manager to manage the properties and the leasing business upon the completion of construction of the properties.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The Group had total cash and cash equivalents of RMB53.5 million as at 30 June 2019 as compared with RMB48.8 million as at 31 December 2018.

The Group recorded net current assets of RMB625.9 million and RMB680.9 million as at 30 June 2019 and 31 December 2018 respectively. The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was 5.24 as at 30 June 2019, as compared with 5.31 as at 31 December 2018.

The Group's gearing ratio is represented by net debts divided by total equity plus net debts. The Group's net debts include bank borrowings and corporate bonds payable, less cash and cash equivalents and pledged bank deposits. As at 30 June 2019, the Group's gearing ratio was 4.7% (31 December 2018: 3.7%).

As at 30 June 2019, the total amount of bank loans was RMB6.0 million, as compared with RMB35.8 million as at 31 December 2018.

As at 30 June 2019, the total number of issued ordinary shares of the Company was 1,474,992,908 shares (31 December 2018: 1,357,874,000 shares) ("**Shares**"). In each of 2016 and 2018, the Company has granted to certain eligible persons share options ("**Options**") to subscribe for an aggregate of 100,000,000 Shares under the share option scheme adopted by the Company by ordinary resolution of all shareholders of the Company passed on 26 May 2015. As at 30 June 2019, 175,690,000 Options remained outstanding. Please refer to the announcements of the Company dated 8 July 2016 and 7 September 2018 for details of the grant of the Options.

During the year ended 31 December 2016 and 2017, the Company issued 44 batches of unsecured corporate bonds, with an aggregate 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 year ended 31 December 2018, the Company issued additional corporate bonds with principal amount of HK$7,500,000 to various independent third parties. No additional corporate bonds were issued by the Company during the current interim period.

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 current interim period.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE RISKS

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2019, the Group conducted the following acquisitions:

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

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

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

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

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

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

HUMAN RESOURCES

As at 30 June 2019, the Group had a total of 177 (31 December 2018: 203) staff, primarily in the PRC. The total staff cost was RMB6.6 million (six months ended 30 June 2018: RMB8.1 million) for the six months ended 30 June 2019.

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

USE OF NET PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Shares are listed on the Main Board of the Stock Exchange on 19 June 2015 with net proceeds ("**Net Proceeds**") from the global offering of approximately HK$249.5 million (after deducting underwriting commissions and related expenses). As at 30 June 2019, 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:

Use of the Net Proceeds	**Available to use**	**Utilised (as at 30 June 2019)**	**Unutilised (as at 30 June 2019)**
	HK$ million	*HK$ million*	*HK$ million*
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	–
	249.5	147.8	101.7

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.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (2018: Nil).

CORPORATE GOVERNANCE

The Group has committed to achieving high corporate governance standards in order to safeguard the interests of shareholders and enhance corporate value and accountability of the Company. The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") in Appendix 14 to the Listing Rules as its own code of corporate governance. During the six months ended 30 June 2019, the Company has complied with the code provisions set out in the CG Code, except for the code provision A.2.1 of the CG Code.

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

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

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

AUDIT COMMITTEE

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

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Liu Liangzhong, Mr. Wong Tak Shing and Mr. Lu Yongchao. The chairman of the Audit Committee is Mr. Liu Liangzhong who has appropriate professional qualifications. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group, and discussed the internal controls and financial reporting matters, including a review of the interim financial results for the six months ended 30 June 2019.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all the Directors have complied with the required standard as set out in the Model Code during the six months ended 30 June 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2019, 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, 30 August 2019

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

This interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company at www.pashun.cn under the section of "Investor Relations/HKEx Filings" respectively. The interim report of the Company for the six months ended 30 June 2019 will be dispatched to the shareholders of the Company and will be available on the same websites in due course.