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百信集团
PASHUN GROUP

Pa Shun International Holdings Limited

百信國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 574)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 2020 together with the comparative figures for the corresponding period in 2019. 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 RMB258,279,000 (2019: approximately RMB452,188,000).
- Loss for the period amounted to approximately RMB8,823,000 (2019: profit for the period amounted to approximately RMB4,789,000).
- Basic loss per share for the six months ended 30 June 2020 amounted to approximately RMB0.60 cent (Basic earnings per share for the six months ended 30 June 2019: RMB0.32 cent).
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (2019: Nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue	3(a)	258,279	452,188
Cost of sales		<u>(251,422)</u>	<u>(420,156)</u>
Gross profit		6,857	32,032
Other income and gains	4(a)	8,644	11,535
Other losses	4(b)	(3,175)	(2,897)
Selling and distribution expenses		(3,583)	(6,495)
General and administrative expenses		(11,770)	(19,837)
Finance costs	5	(5,129)	(6,137)
Share of profit of associate		<u>–</u>	<u>651</u>
(Loss)/profit before tax	6	(8,156)	8,852
Income tax expense	7	<u>(667)</u>	<u>(4,063)</u>
(Loss)/profit for the period		<u>(8,823)</u>	<u>4,789</u>
(Loss)/profit for the period attributable to:			
Equity shareholders of the Company		(8,877)	4,614
Non-controlling interests		<u>54</u>	<u>175</u>
		<u>(8,823)</u>	<u>4,789</u>
		Six months ended 30 June	
		2020	2019
		RMB cent	RMB cent
		(unaudited)	(unaudited)
(Loss)/earnings per share	9		
Basic		<u>(0.60)</u>	<u>0.32</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
(Loss)/profit for the period	(8,823)	4,789
Other comprehensive (loss)/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")	8,477	1,376
Total comprehensive (loss)/income for the period	(346)	6,165
Total comprehensive (loss)/income for the period attributable to:		
Equity shareholders of the Company	(400)	5,990
Non-controlling interests	54	175
	(346)	6,165

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		At 30 June 2020 <i>RMB'000</i> (unaudited)	At 31 December 2019 <i>RMB'000</i> (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		50,339	51,642
Right-of-use assets		5,003	3,060
Investments in associates		51,563	50,580
Other intangible assets		28,214	29,632
Financial assets at fair value through other comprehensive income		–	3,000
Property development project		185,797	185,797
Other non-current assets		1,972	1,972
Deferred tax assets		5,645	6,312
		<u>328,533</u>	<u>331,995</u>
CURRENT ASSETS			
Inventories		15,448	14,849
Trade and other receivables	10	428,888	373,740
Prepayments and deposits paid		198,066	179,179
Amounts due from related parties		85	85
Pledged bank deposits		–	9,893
Cash and cash equivalents		5,974	16,125
		<u>648,461</u>	<u>593,871</u>
CURRENT LIABILITIES			
Trade and other payables	11	150,608	111,979
Bank borrowings		10,000	6,000
Amount due to a shareholder		1,445	283
Amounts due to associates		2	2
Amounts due to related parties		126	144
Corporate bonds payable		32,195	26,871
Income tax payable		8,616	8,695
		<u>202,992</u>	<u>153,974</u>
NET CURRENT ASSETS		<u>445,469</u>	<u>439,897</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>774,002</u>	<u>771,892</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2020

	At	At
	30 June	31 December
	2020	2019
<i>Notes</i>	RMB'000	RMB'000
	(unaudited)	(audited)
NON-CURRENT LIABILITIES		
Deferred income – government grant	23,797	24,053
Corporate bonds payable	65,389	64,143
Lease liabilities	1,580	114
	90,766	88,310
NET ASSETS	683,236	683,582
CAPITAL AND RESERVES		
Share capital	1,216	1,216
Reserves	695,867	696,267
Total equity attributable to equity shareholders of the Company	697,083	697,483
Non-controlling interests	(13,847)	(13,901)
TOTAL EQUITY	683,236	683,582

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements 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 statements has been prepared in accordance with the same accounting policies adopted in the 2019 annual consolidated financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual consolidated financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of the unaudited condensed consolidated interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. 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 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendment to HKFRS 16	COVID-19 Related Rent Concessions

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 statements. The Group has also not applied any new or amended standards that are not effective in respect of the current period.

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	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Pharmaceutical distribution	248,095	415,127
Self-operated retail pharmacies	–	1,255
Pharmaceutical manufacturing	10,184	35,806
	<u>258,279</u>	<u>452,188</u>

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 2020 and 2019. Accordingly, no analysis by geographical segments has been provided for the six months ended 30 June 2020 and 2019.

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 2020 and 2019 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 2020 and 2019 is set out below.

	Six months ended 30 June 2020 (unaudited)							
	Pharmaceutical distribution				Self-operated			Total
	Sales to wholesalers	Sales to franchise pharmacy chain stores	Sales to hospitals and other medical institutions in rural areas	Others	Sub-total	retail pharmacies	Pharmaceutical manufacturing	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	211,575	16,108	20,194	218	248,095	-	10,184	258,279
Inter-segment revenue	-	-	-	-	-	-	-	-
Reportable segment revenue	211,575	16,108	20,194	218	248,095	-	10,184	258,279
Reportable segment profit/(loss)	(3)	140	2,031	33	2,201	-	4,656	6,857
Other segment information								
Depreciation and amortisation	-	-	-	-	-	-	56	56

Six months ended 30 June 2019 (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	355,584	19,882	30,230	9,431	415,127	1,255	35,806	452,188
Inter-segment revenue	-	-	-	-	-	-	110	110
Reportable segment revenue	<u>355,584</u>	<u>19,882</u>	<u>30,230</u>	<u>9,431</u>	<u>415,127</u>	<u>1,255</u>	<u>35,916</u>	<u>452,298</u>
Reportable segment profit/(loss)	<u>7,546</u>	<u>855</u>	<u>6,294</u>	<u>1,536</u>	<u>16,231</u>	<u>(463)</u>	<u>16,253</u>	<u>32,021</u>
Other segment information								
Depreciation and amortisation	-	-	-	-	-	-	58	58

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

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue		
Reportable segment revenue	258,279	452,298
Elimination of inter-segment revenue	-	(110)
Consolidated revenue (note 3(a))	<u>258,279</u>	<u>452,188</u>
Profit		
Reportable segment profit	6,857	32,021
Elimination of inter-segment loss	-	11
Gross profit derived from external customers	6,857	32,032
Other income and gains	8,644	11,535
Other losses	(3,175)	(2,897)
Selling and distribution expenses	(3,583)	(6,495)
General and administrative expenses	(11,770)	(19,837)
Finance costs	(5,129)	(6,137)
Share of profit of associate	-	651
Consolidated (loss)/profit before tax	<u>(8,156)</u>	<u>8,852</u>

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Other items		
Depreciation and amortisation		
Reportable segment total	56	58
Unallocated total	3,150	1,780
	<hr/>	<hr/>
Consolidated total	3,206	1,838
	<hr/> <hr/>	<hr/> <hr/>

4. OTHER INCOME AND GAINS AND OTHER LOSSES

(a) Other income and gains

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Franchise fee	3,539	3,893
Bank interest income	37	34
Interest income from other loan receivables	2,037	–
Rental income	–	2
Deferred income – government grant	256	256
Exchange gain	1	560
Gain on disposal of property, plant and equipment	–	13
Gain on disposal of subsidiary	–	5,516
Royalty fee income	2,000	–
Reversal of impairment loss in other receivables	–	32
Others	774	1,229
	<hr/>	<hr/>
	8,644	11,535
	<hr/> <hr/>	<hr/> <hr/>

Note: The franchise fee and royalty fee income are recognised on the “overtime” basis.

(b) Other losses

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Loss on disposal of associate	–	1,916
Loss on disposal of property, plant and equipment	3	–
Write-off of property, plant and equipment	3	7
Impairment loss on:		
– inventories	–	119
– trade and other receivables	3,169	855
	<u>3,175</u>	<u>2,897</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings	293	967
Corporate bonds payable	4,775	5,039
Lease liabilities	10	52
Others	51	79
	<u>5,129</u>	<u>6,137</u>

6. (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax is arrived at after charging:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Cost of inventories sold (<i>note i</i>)	251,422	420,156
Salaries, wages and other benefits	5,057	6,337
Contributions to defined contribution retirement plans	138	224
Total staff costs (<i>note ii</i>)	5,195	6,561
Amortisation of other intangible assets	1,417	1,056
Depreciation of property, plant and equipment	1,328	1,838
Depreciation of right-of-use assets	462	676
Auditors' remuneration	163	217

Notes:

- (i) Cost of inventories sold for the six months ended 30 June 2020 includes staff costs and depreciation and amortisation expenses totalled RMB390,000 (six months ended 30 June 2019: RMB346,000) 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	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current tax – PRC Enterprise Income Tax		
Provision for the period	–	4,682
Deferred tax		
Origination and reversal of temporary differences	<u>667</u>	<u>(619)</u>
	<u>667</u>	<u>4,063</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 2020 and 2019 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%. No provision for PRC Enterprises Income Tax for the current period has been made in the condensed consolidated statement of profit or loss as the Group had no profit for the period which is assessable to such PRC income tax.

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 2020 (2019: Nil).

9. (LOSS)/EARNINGS PER SHARE

(a) Basic (Loss)/earnings per share

The calculation of basic (loss)/earnings per share for the six months ended 30 June 2020 is based on the loss attributable to equity shareholders of the Company of RMB8,877,000 (six months ended 30 June 2019: profit attributable to equity shareholders of the Company of RMB4,614,000) and the weighted average of 1,474,993,000 ordinary shares (six months ended 30 June 2019: 1,420,566,000 ordinary shares) in issue.

(b) Diluted (Loss)/earnings per share

The computation of diluted (loss)/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 (loss)/earnings per share for the six months ended 30 June 2020 is presented as, except for aforementioned, there are no potential ordinary shares in issue during both of the periods presented.

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2020 <i>RMB'000</i> (unaudited)	At 31 December 2019 <i>RMB'000</i> (audited)
Trade and commercial bills receivables (<i>note a</i>)	343,886	291,586
Bank bills receivables (<i>note b</i>)	1,123	1,494
Other receivables (<i>note c</i>)	83,879	80,660
	<u>428,888</u>	<u>373,740</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 2020 <i>RMB'000</i> (unaudited)	At 31 December 2019 <i>RMB'000</i> (audited)
Within 1 month	83,403	9,380
1 to 3 months	11,635	30,709
4 to 6 months	5,130	69,398
Over 6 months	243,718	182,099
	<u>343,886</u>	<u>291,586</u>

An average credit period of 30 to 180 days is granted by the Group to its customers (31 December 2019: 30 to 180 days).

(b) **Bank bills receivables**

The bank bills receivables are aged within 180 days (31 December 2019: 180 days).

(c) **Other receivables**

An analysis of other receivables is as follows:

	At 30 June 2020 <i>RMB'000</i> (unaudited)	At 31 December 2019 <i>RMB'000</i> (audited)
Other taxes recoverable	22,811	22,342
Consideration receivable for disposal of a subsidiary (<i>note</i>)	16,939	26,902
Consideration receivable for disposal of other intangible assets	3,000	3,000
Royalty fee receivable	6,000	4,000
Others	35,129	24,416
	<u>83,879</u>	<u>80,660</u>

Note:

Pursuant to the agreement for disposal of the subsidiary, Yanchi County Medical & Pharmaceutical Herbal Co., Ltd., the consideration for disposal amounted to RMB10,000,000 and RMB20,000,000 are payable by the vendor on or before 31 December 2019 and 31 December 2020 respectively. Such consideration for disposal totalled RMB18,000,000 remained unsettled up to 30 June 2020.

At initial recognition, the fair value of the consideration receivable is estimated to be RMB26,326,000 using the effective interest rate of 11.52% per annum. The consideration receivable is subsequently measured at amortised cost, using the effective interest rate of 11.52% per annum, and the imputed interest income on the consideration receivable recognized in respect of the current period amounted to RMB2,037,000, which was included in other income and gains (note 4(a)).

11. TRADE AND OTHER PAYABLES

	At 30 June 2020 <i>RMB'000</i> (unaudited)	At 31 December 2019 <i>RMB'000</i> (audited)
Trade payables (<i>note (i)</i>)	88,677	35,205
Bills payables	–	19,788
Lease liabilities	1,409	861
Salaries, wage and welfare payable	12,255	11,396
Contract liabilities (<i>note (ii)</i>)	14,530	13,796
Accrued corporate bond interests	6,048	6,584
Other payables	27,689	24,349
	<u>150,608</u>	<u>111,979</u>

Notes:

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

	At 30 June 2020 <i>RMB'000</i> (unaudited)	At 31 December 2019 <i>RMB'000</i> (audited)
Within 1 month	49,131	7,616
1 to 3 months	12,210	4,885
Over 3 months	27,336	22,704
	<u>88,677</u>	<u>35,205</u>

The credit term granted to the Group by its suppliers is 30 to 180 days (31 December 2019: 30 to 180 days).

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

The following table shows the amount of the revenue recognised in the current reporting period in relation to carried-forward contract liabilities:

	At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the period/year	<u>568</u>	<u>7,103</u>

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 2020. 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 2020, the Group recorded a total revenue of RMB258.3 million, representing an decrease of approximately 42.9% from RMB452.2 million for corresponding period last year. The significant decrease was due to outbreak of the novel coronavirus (COVID-19) epidemic (“**Epidemic**”) that has spread across China and other countries since early 2020 and it has adversely affected the business and economic activities of the Group. The factory of the Group in China was closed or under restricted operation for months during the six months ended 30 June 2020.

Cost of Sales, Gross Profit and Gross Profit Margin

The Group’s cost of sales decreased by approximately 40.2% from RMB420.2 million for the six months ended 30 June 2019 to RMB251.4 million for the six months ended 30 June 2020 which is in line with the decrease in the Group’s revenue.

The Group’s gross profit decreased by approximately 78.6% from RMB32.0 million for the six months ended 30 June 2019 to RMB6.9 million for the six months ended 30 June 2020. The Group’s gross profit margin decreased from 7.1% for the six months ended 30 June 2019 to 2.7% for the six months ended 30 June 2020. Such decrease is primarily attributable to fixed cost (including staff cost and maintenance cost) incurred by factory of the Group during the period of closed or restricted operations.

Selling and Distribution Expenses

The Group’s selling and distribution expenses decreased by approximately 44.8% from RMB6.5 million for the six months ended 30 June 2019 to RMB3.6 million for the six months ended 30 June 2020. This decrease was in line with the decrease in revenue and reduce of selling and promotion activities during the Epidemic.

General and Administrative Expenses

The Group's general and administrative expenses decreased by approximately 40.7% from RMB19.8 million for the six months ended 30 June 2019 to RMB11.8 million for the six months ended 30 June 2020. The decrease was attributable to the one off expenses of consultation, legal and professional fee incurred during the six months ended 30 June 2019 arising from the acquisitions 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. No such acquisition was noted during the six months ended 30 June 2020.

Other Income and Gains

Other income and gains decreased by approximately 25.1% from RMB11.5 million for the six months ended 30 June 2019 to RMB8.6 million for the six months ended 30 June 2020. The decrease was due to the one off gain on disposal of 100% equity interest in Yanchi County of RMB5.5 million during the six months ended 30 June 2019 while no such gain is noted during the six months ended 30 June 2020. Such decrease was partly net off by the interest income from other loan receivable of HK\$2.0 million and royalty fee income of RMB2.0 million.

Other Net Loss

The Group recorded other net loss of RMB3.2 million for the six months ended 30 June 2020, representing an increase of approximately 9.6% from RMB2.9 million for the corresponding period last year. Such net loss was primarily due to impairment loss on trade and other receivables of HK\$3.2 million during the six months ended 30 June 2020.

Finance Costs

Finance costs decreased by approximately 16.4% from RMB6.1 million for the six months ended 30 June 2019 to RMB5.1 million for the six months ended 30 June 2020. The decrease was primarily due to repayment of bank borrowings during second half of 2019 and thus the interests on bank borrowings decreased accordingly.

Profit Before Tax

Profit before tax decreased by approximately 192.1% from RMB8.9 million for the six months ended 30 June 2019 to loss before tax of RMB8.2 million for the six months ended 30 June 2020.

Income Tax Expense

Income tax expense decreased by approximately 83.6% from RMB4.1 million for the six months ended 30 June 2019 to RMB0.7 million for the six months ended 30 June 2020. The decrease was primarily due to the decrease in taxable income from the PRC subsidiaries of the Company.

Profit for the Period and Net Profit Margin

As a result of the foregoing, the Group's profit for the period decreased by approximately 284.2% from RMB4.8 million for the six months ended 30 June 2019 to loss for the period of RMB8.8 million for the six months ended 30 June 2020. The Group's net profit margin increased from 1.1% for the six months ended 30 June 2019 to net loss margin of 3.4% for the six months ended 30 June 2020.

OUTLOOK

Due to the Epidemic in the PRC, the economy of the PRC is seriously affected. Since many economic activities in the PRC are slowed down due to the Epidemic, and the factory of the Group was closed for around two months in the first quarter of 2020, thus the revenue and results of the Group for the first half of 2020 was adversely affected. The Group will continue to leverage on its solid foundation in the PRC and make good use of its existing resources and networks to capture the opportunities to expand to other business through various business development strategies, at the same time diversify its business risk to other investment segments and other countries. In 2019, with the acquisition of two companies which indirectly hold interest in certain units located in the building called "The Apple" which is a multi-storey building located in Melaka, Malaysia, the Group made its first step to explore and invest in the Malaysia property market. The Company currently intends to hold the properties for investment purpose to generate rental income for the Group and will engage a local professional property manager to manage the properties and the leasing business upon the completion of construction of the properties in early 2022. The Company will further seek other similar opportunities to reduce the operation risk of the Group.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The Group had total cash and cash equivalents of RMB6.0 million as at 30 June 2020 as compared with RMB16.1 million as at 31 December 2019.

The Group recorded net current assets of RMB445.5 million and RMB439.9 million as at 30 June 2020 and 31 December 2019 respectively. The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was 3.20 as at 30 June 2020, as compared with 3.86 as at 31 December 2019.

As at 30 June 2020, the total amount of bank loans was RMB10.0 million, as compared with RMB6.0 million as at 31 December 2019.

As at 30 June 2020, the total number of issued ordinary shares of the Company was 1,474,993,000 shares (31 December 2019: 1,474,993,000 shares) (“**Shares**”). In 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 2020, 100,000,000 share options remained outstanding. Please refer to the announcements of the Company dated 7 September 2018 for details of the grant of the Options. No options were granted during the six months ended 30 June 2020.

During 2016 to 2018, the Company issued unsecured corporate bonds with principal amount of HK\$113.9 million to various independent third parties at par value, bearing coupon rates of 6.5% to 7% per annum and with maturity periods from 2 to 7.5 years. During the year ended 31 December 2019, the Company repaid a matured corporate bond with principal amount of HK\$2 million. As at 30 June 2020, seven corporate bonds with aggregate principal amount of HK\$25.0 million matured have remained outstanding to date. As at 30 June 2020, interest payable on corporate bonds of approximately HK\$6.7 million was due and remained outstanding. Since the maturity dates of bonds principal and interests, the Company and the holders of the corporate bonds have engaged in numerous rounds of negotiations to seek to resolve the issue amicably, including extension of the maturity date and the due date of the interest payments, and repayments of principal and interests by installments.

The Group actively and regularly reviews and manages its capital structure to enhance its financial strength for the Group’s long-term development. There was no change in the Group’s approach to capital management during the year ended 30 June 2020.

CONTINGENT LIABILITIES

As at 30 June 2020, 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

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

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

HUMAN RESOURCES

As at 30 June 2020, the Group had a total of 183 (31 December 2019: 170) staff, primarily in the PRC. The total staff cost was RMB5.2 million (six months ended 30 June 2019: RMB6.6 million) for the six months ended 30 June 2020.

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.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: 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. During the six months ended 30 June 2020 and up to 17 June 2020, Mr. Chen Yenfei was the chairman of the Board as well as the 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 considered that vesting the roles of chairman and chief executive officer in the same individual was beneficial to the business prospects and management of the Group. The balance of power and authorities was ensured by the operation of the Board and the senior management, which comprise experienced and high caliber individuals.

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

Pursuant to Rule 3.10(1) of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”), every board of directors of a listed issuer must include at least three independent non-executive directors. Pursuant to Rule 3.10(2) of the Listing Rules, at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. Pursuant to Rule 3.10(A) of the Listing Rules, a listed issuer must appoint independent non-executive directors representing at least one-third of the board. Pursuant to Rule 3.21 of the Listing Rules, the audit committee must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. Following the retirement of Mr. Wong Tak Shing at the annual general meeting held on 31 July 2020, the Company has two independent non-executive Directors, two members of the Audit Committee and one member of the Remuneration Committee. This falls below the minimum number of independent non-executive directors and members of audit committee requirement under Rules 3.10(1) and 3.21 of the Listing Rules and the number of the independent non-executive Directors falls below one-third of the Board as required under Rule 3.10(A) of the Listing Rules. The Board will not have an independent non-executive Director with the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules, or an Audit Committee member as required under Rule 3.21 of the Listing Rules who meets the same requirements under Rule 3.10(2) of the Listing Rules. The Company is identifying suitable candidate(s) to fill the above vacancies. Further announcement will be made by the Company when the relevant appointment is made.

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 two independent non-executive Directors, namely, Mr. Liu Liangzhong 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 2020.

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 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2020, 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. Wu Guohua
Non-executive director

Hong Kong, 31 August 2020

As at the date of this announcement, the executive Directors are Mr. Shen Shun and Mr. Chen Rongxin; the non-executive Director is Mr. Zhang Xiongfeng, Mr. Hu Haisong and Mr. Wu Guohua; and the independent non-executive Directors are Mr. Liu Liangzhong 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 2020 will be dispatched to the shareholders of the Company and will be available on the same websites in due course.