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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 2021

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 2021 together with the comparative figures for the corresponding period in 2020. The Group’s interim results are unaudited.

INTERIM RESULTS HIGHLIGHTS

- Revenue amounted to approximately RMB48,226,000 (2020: approximately RMB258,279,000).
- Loss for the period amounted to approximately RMB6,847,000 (2020: approximately RMB8,823,000).
- Basic loss per share for the six months ended 30 June 2021 amounted to approximately RMB0.46 cent (2020: RMB0.60 cent).
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (2020: Nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	<i>Notes</i>	Six months ended 30 June	
		2021	2020
		<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
Revenue	<i>3(a)</i>	48,226	258,279
Cost of sales		<u>(41,933)</u>	<u>(251,422)</u>
Gross profit		6,293	6,857
Other income and gains	<i>4(a)</i>	2,420	8,644
Other losses	<i>4(b)</i>	(10)	(3,175)
Selling and distribution expenses		(2,747)	(3,583)
General and administrative expenses		(9,048)	(11,770)
Finance costs	<i>5</i>	<u>(3,755)</u>	<u>(5,129)</u>
Loss before tax	<i>6</i>	(6,847)	(8,156)
Income tax expense	<i>7</i>	<u>–</u>	<u>(667)</u>
Loss for the period		<u>(6,847)</u>	<u>(8,823)</u>
Loss for the period attributable to:			
Equity shareholders of the Company		(6,847)	(8,877)
Non-controlling interests		<u>–</u>	<u>54</u>
		<u>(6,847)</u>	<u>(8,823)</u>
		Six months ended 30 June	
		2021	2020
		<i>RMB cent</i> (unaudited)	<i>RMB cent</i> (unaudited)
Loss per share	<i>9</i>		
Basic		<u>(0.46)</u>	<u>(0.60)</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 2021

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Loss for the period	(6,847)	(8,823)
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")	(5,061)	8,477
Total comprehensive loss for the period	(11,908)	(346)
Total comprehensive (loss)/income for the period attributable to:		
Equity shareholders of the Company	(11,908)	(400)
Non-controlling interests	–	54
	(11,908)	(346)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	<i>Notes</i>	At 30 June 2021 <i>RMB'000</i> (unaudited)	At 31 December 2020 <i>RMB'000</i> (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		40,208	40,910
Right-of-use assets		3,696	4,188
Interests in associates		42,485	42,881
Other intangible assets		25,429	26,677
Property development project		185,797	185,797
Deferred tax assets		4,640	4,640
		<u>302,255</u>	<u>305,093</u>
CURRENT ASSETS			
Inventories		10,727	17,950
Trade and other receivables	10	95,962	81,980
Prepayments and deposits paid		88,147	82,548
Amounts due from related parties		85	85
Income tax recoverable		–	180
Pledged bank deposits		9,105	10,087
Cash and cash equivalents		4,050	5,262
		<u>208,076</u>	<u>198,092</u>
CURRENT LIABILITIES			
Trade and other payables	11	124,816	103,811
Bank and other borrowings		8,639	8,000
Amount due to a shareholder		542	550
Amounts due to associates		2	2
Amounts due to related parties		145	145
Corporate bonds payable		84,696	87,751
Income tax payable		1,303	–
		<u>220,143</u>	<u>200,259</u>
NET CURRENT LIABILITIES		<u>(12,067)</u>	<u>(2,167)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>290,188</u>	<u>302,926</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2021

	At 30 June 2021	At 31 December 2020
<i>Notes</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
NON-CURRENT LIABILITIES		
Deferred income – government grant	23,285	23,541
Lease liabilities	829	1,403
	24,114	24,944
NET ASSETS	266,074	277,982
CAPITAL AND RESERVES		
Share capital	1,216	1,216
Reserves	264,858	276,766
Total equity attributable to equity shareholders of the Company	266,074	277,982
Non-controlling interests	–	–
TOTAL EQUITY	266,074	277,982

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 have been prepared in accordance with the same accounting policies adopted in the consolidated financial statements for the year ended 31 December 2020, except for the accounting policy changes that are expected to be reflected in the 2021 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.

In preparing the condensed consolidated financial statements, the Directors have considered the future liquidity of the Group. The Group incurred losses amounting to approximately RMB6,847,000 and RMB419,189,000 for the six months ended 30 June 2021 and the year ended 31 December 2020 respectively, and the Group had net current liabilities of amounting to approximately RMB12,067,000 as at 30 June 2021. These conditions indicate the existence of a material uncertainty which may cast a significant doubt on the Group’s ability to continue as a going concern. Nevertheless, the Directors are of the opinion that the Group will be able to finance its future working capital and financial requirements given that:

- (i) With reference to the cash flow forecast prepared by the Group’s management for the twelve months ending 30 June 2022, the Group will be able to generate adequate cash flows from its continuing operations and to obtain sufficient fundings to repay the debts of the Group as and when they fall due in the foreseeable future.
- (ii) The Directors are considering various alternatives, including but not limited to obtaining new long term loans to be secured by pledge of the assets involved in the property development project, obtaining additional funds to finance the Group’s working capital and the repayment of existing debts when they fall due.

2. CHANGES IN ACCOUNTING POLICIES

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

Amendments to HKFRS 9, Interest Rate Benchmark Reform – Phase 2
HKAS 39, HKFRS 7, HKFRS 4
and HKFRS 16

The application of the amendments to HKFRSs in the current interim period has not resulted in significant impact on the Group’s condensed consolidated financial statements. The Group has also not applied any new or amended standards that are not effective in respect of the current interim 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	
	2021	2020
	<i>RMB’000</i>	<i>RMB’000</i>
	(unaudited)	(unaudited)
Pharmaceutical distribution	36,598	248,095
Self-operated retail pharmacies	–	–
Pharmaceutical manufacturing	11,628	10,184
	<u>48,226</u>	<u>258,279</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 2021 and 2020. Accordingly, no analysis by geographical segments has been provided for the six months ended 30 June 2021 and 2020.

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 2021 and 2020 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 2021 and 2020 is set out below.

Six months ended 30 June 2021 (unaudited)								
Pharmaceutical distribution								
	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	Total RMB'000
Revenue from external customers	3,796	15,266	17,358	178	36,598	-	11,628	48,226
Inter-segment revenue	-	-	-	-	-	-	-	-
Reportable segment revenue	<u>3,796</u>	<u>15,266</u>	<u>17,358</u>	<u>178</u>	<u>36,598</u>	<u>-</u>	<u>11,628</u>	<u>48,226</u>
Reportable segment profit	<u>20</u>	<u>681</u>	<u>1,455</u>	<u>14</u>	<u>2,170</u>	<u>-</u>	<u>4,123</u>	<u>6,293</u>
Other segment information								
Depreciation and amortisation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48</u>	<u>48</u>
Six months ended 30 June 2020 (unaudited)								
Pharmaceutical distribution								
	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	Total 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	<u>211,575</u>	<u>16,108</u>	<u>20,194</u>	<u>218</u>	<u>248,095</u>	<u>-</u>	<u>10,184</u>	<u>258,279</u>
Reportable segment profit/(loss)	<u>(3)</u>	<u>140</u>	<u>2,031</u>	<u>33</u>	<u>2,201</u>	<u>-</u>	<u>4,656</u>	<u>6,857</u>
Other segment information								
Depreciation and amortisation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56</u>	<u>56</u>

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue		
Reportable segment revenue	48,226	258,279
Elimination of inter-segment revenue	<u>—</u>	<u>—</u>
Consolidated revenue (note 3(a))	<u>48,226</u>	<u>258,279</u>
Profit		
Reportable segment profit	6,293	6,857
Elimination of inter-segment loss	<u>—</u>	<u>—</u>
Gross profit derived from external customers	6,293	6,857
Other income and gains	2,420	8,644
Other losses	(10)	(3,175)
Selling and distribution expenses	(2,747)	(3,583)
General and administrative expenses	(9,048)	(11,770)
Finance costs	<u>(3,755)</u>	<u>(5,129)</u>
Consolidated loss before tax	<u>(6,847)</u>	<u>(8,156)</u>
Other items		
Depreciation and amortisation		
Reportable segment total	48	56
Unallocated total	<u>2,491</u>	<u>3,150</u>
Consolidated total	<u>2,539</u>	<u>3,206</u>

4. OTHER INCOME AND GAINS AND OTHER LOSSES

(a) Other income and gains

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Franchise fee	–	3,539
Bank interest income	81	37
Interest income from other loan receivables	–	2,037
Deferred income – government grant	256	256
Exchange gain	–	1
Royalty fee income	2,000	2,000
Others	83	774
	<u>2,420</u>	<u>8,644</u>

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

(b) Other losses

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Loss on disposal of property, plant and equipment	3	3
Write-off of property, plant and equipment	–	3
Impairment loss on trade and other receivables	–	3,169
Others	7	–
	<u>10</u>	<u>3,175</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings	288	293
Corporate bonds payable	3,310	4,775
Lease liabilities	49	10
Others	108	51
	<u>3,755</u>	<u>5,129</u>

6. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Cost of inventories sold (<i>note i</i>)	7,233	251,422
Salaries, wages and other benefits	4,535	5,057
Contributions to defined contribution retirement plans	330	138
Total staff costs (<i>note ii</i>)	4,865	5,195
Amortisation of other intangible assets	1,248	1,417
Depreciation of property, plant and equipment	798	1,328
Depreciation of right-of-use assets	493	462
Auditors' remuneration	–	163
	<u>–</u>	<u>163</u>

Notes:

- (i) Cost of inventories sold for the six months ended 30 June 2021 includes staff costs and depreciation and amortisation expenses totalled RMB272,000 (six months ended 30 June 2020: RMB390,000) 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	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax – PRC Enterprise Income Tax		
Provision for the period	–	–
Deferred tax		
Origination and reversal of temporary differences	–	667
	<u>–</u>	<u>667</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 2021 and 2020 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 2021 (2020: Nil).

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share for the six months ended 30 June 2021 is based on the loss attributable to equity shareholders of the Company of RMB6,847,000 (six months ended 30 June 2020: RMB8,877,000) and the weighted average of 1,474,993,000 ordinary shares (six months ended 30 June 2020: 1,474,993,000 ordinary shares) in issue.

(b) Diluted loss per share

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

No diluted loss per share for the six months ended 30 June 2021 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 2021 <i>RMB'000</i> (unaudited)	At 31 December 2020 <i>RMB'000</i> (audited)
Trade and commercial bills receivables (<i>note a</i>)	61,570	53,521
Bank bills receivables (<i>note b</i>)	1,737	1,427
Other receivables (<i>note c</i>)	32,655	27,032
	<u>95,962</u>	<u>81,980</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 2021 <i>RMB'000</i> (unaudited)	At 31 December 2020 <i>RMB'000</i> (audited)
Within 1 month	5,482	3,837
1 to 3 months	9,007	8,236
4 to 6 months	8,112	29,469
Over 6 months	38,969	11,979
	<u>61,570</u>	<u>53,521</u>

An average credit period of 30 to 180 days is granted by the Group to its customers (31 December 2020: 30 to 180 days).

(b) **Bank bills receivables**

The bank bills receivables are aged within 180 days (31 December 2020: 180 days).

(c) **Other receivables**

An analysis of other receivables is as follows:

	At 30 June 2021 <i>RMB'000</i> (unaudited)	At 31 December 2020 <i>RMB'000</i> (audited)
Other taxes recoverable	478	1,737
Consideration receivable for disposal of other intangible assets	2,934	2,934
Royalty fee receivable	10,000	8,000
Others	19,243	14,361
	<u>32,655</u>	<u>27,032</u>

11. **TRADE AND OTHER PAYABLES**

	At 30 June 2021 <i>RMB'000</i> (unaudited)	At 31 December 2020 <i>RMB'000</i> (audited)
Trade payables (<i>note (i)</i>)	33,382	29,201
Bills payables	18,211	19,978
Lease liabilities	909	772
Salaries, wage and welfare payable	6,448	6,086
Contract liabilities (<i>note (ii)</i>)	17,757	12,822
Accrued corporate bond interests	15,563	10,286
Other payables	32,546	24,666
	<u>124,816</u>	<u>103,811</u>

Notes:

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

	At 30 June 2021 <i>RMB'000</i> (unaudited)	At 31 December 2020 <i>RMB'000</i> (audited)
Within 1 month	4,778	5,080
1 to 3 months	7,173	3,485
Over 3 months	<u>21,431</u>	<u>20,636</u>
	<u>33,382</u>	<u>29,201</u>

The credit term granted to the Group by its suppliers is 30 to 180 days (31 December 2020: 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 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the period/year	<u>142</u>	<u>1,578</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 2021. 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 2021, the Group recorded a total revenue of RMB48.2 million, representing a decrease of approximately 81.3% from RMB258.3 million for the corresponding period last year. Such decrease was primarily due to (i) the drop in revenue from the Group's pharmaceutical distribution to wholesalers due to vigorous competition; and (ii) the outbreak of the novel coronavirus (COVID-19) epidemic (“**Epidemic**”) that has spread across China and other countries and it has adversely affected the business and economic activities of the Group.

Cost of Sales, Gross Margin and Gross Profit Margin

The Group's cost of sales decreased by approximately 83.3% from RMB251.4 million for the six months ended 30 June 2020 to RMB41.9 million for the six months ended 30 June 2021. Such decrease of cost of sales was in line with the decrease in revenue during the period. The Group's gross profit decreased by approximately 8.2% from RMB6.9 million for the six months ended 30 June 2020 to RMB6.3 million for the six months ended 30 June 2021. The Group's gross profit margin increased from 2.7% for the six months ended 30 June 2020 to 13.0 % for the six months ended 30 June 2021. Such change is primarily attributable to the cost control over the business of pharmaceutical distribution to wholesalers by limiting its scale.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by approximately 23.3% from RMB3.6 million for the six months ended 30 June 2020 to RMB2.7 million for the six months ended 30 June 2021. Such decrease was primarily due to the Group's disposal of the interest in, and the loss in the control in the board of directors of, 成都百信藥業連鎖有限責任公司 (for identification purpose only, Chengdu Pashun Pharmacy Chain Store Co., Ltd.) (“**CPPCSCL**”) on 30 June 2020 and 30 September 2020.

General and Administrative Expenses

The Group's general and administrative expenses decreased by approximately 23.1% from RMB11.8 million for the six months ended 30 June 2020 to RMB9.0 million for the six months ended 30 June 2021. The decrease was attributable to the Group's disposal of the interest in, and the loss in the control in the board of directors of CPPCSCL.

Other Income and Gains

Other income and gains decreased by approximately 72.0% from RMB8.6 million for the six months ended 30 June 2020 to RMB2.4 million for the six months ended 30 June 2021. The decrease was attributable to the absence of franchise fee income in the current interim period after the disposal of the interest in, and the loss in the control in the board of directors of CPPCSCL.

Other Losses

The Group recorded other losses of RMB10,000 for the six months ended 30 June 2021, representing a decrease of approximately 99.7% from RMB3.2 million for the corresponding period last year. The decrease was mainly due to the absence of impairment loss on trade and other receivables in the current interim period.

Finance Costs

Finance costs decreased by approximately 26.8% from RMB5.1 million for the six months ended 30 June 2020 to RMB3.8 million for the six months ended 30 June 2021. Such decrease in finance costs of the Group were mainly due to the decrease in average outstanding balance of the corporate bonds payables of the Group as compared to the corresponding period last year.

Loss Before Tax

Loss before tax decreased by approximately 16.0% from RMB8.2 million for the six months ended 30 June 2020 to RMB6.8 million for the six months ended 30 June 2021. The improvement was primarily due to (i) the improvement of operating results (higher gross profit margin), and (ii) the decrease in other losses, general and administrative expenses and finance costs as disclosed above.

Income Tax Expense

Income tax expense decreased from RMB0.7 million for the six months ended 30 June 2020 to nil for the six months ended 30 June 2021. The improvement was primarily due to the decrease in taxable income from the PRC subsidiaries of the Company during the period under review.

Loss for the Year

As a result of the foregoing, the Group's loss for the year decreased by approximately 22.4% from RMB8.8 million for the six months ended 30 June 2020 to RMB6.8 million for the six months ended 30 June 2021.

OUTLOOK

With the Epidemic being under control in the PRC, the economy of the PRC is gradually recovering. 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. Due to the Epidemic and lock down in Malaysia, the construction of the properties were delayed and the time of completion of construction was uncertain and may delay to 2023. The Company currently intends to hold the properties for investment purpose to generate rental income for the Group and will engage a local professional property manager to manage the properties and the leasing business upon the completion of construction of the properties. The Company will further seek other similar opportunities to reduce the operation risk of the Group.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The Group had total cash and cash equivalents and pledged bank deposits of RMB13.2 million as at 30 June 2021 as compared with RMB15.3 million as at 31 December 2020.

The Group recorded net current liabilities of RMB12.1 million and RMB2.2 million as at 30 June 2021 and 31 December 2020 respectively. The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was 0.95 as at 30 June 2021, as compared with 0.99 as at 31 December 2020. The net current liabilities of the Group as at 30 June 2021 has arisen from the increase in the trade and other payables in the current interim period.

As at 30 June 2021, the total amount of bank and other borrowings was RMB8.6 million, as compared with RMB8.0 million as at 31 December 2020.

As at 30 June 2021, the total number of issued ordinary shares of the Company was 1,474,992,908 shares (31 December 2020: 1,474,992,908 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 2021, 100,000,000 Options remained outstanding. Please refer to the announcements of the Company dated 7 September 2018 for details of the grant of the Options. No options were granted in during the six months ended 30 June 2021.

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. As at 30 June 2021, twelve corporate bonds with aggregate principal amount of HK\$32.2 million was matured and the Company repaid a matured corporate bond with principal amount of HK\$2.7 million during the six months ended 30 June 2021.

As at 30 June 2021, interest payable on corporate bonds of approximately HK\$15.6 million was due and remained outstanding. Since the maturity dates of the corporate bonds and related 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 the 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 were no changes in the Group’s approach to capital management during the six months ended 30 June 2021.

CONTINGENT LIABILITIES

A petition (the “**Petition**”) was filed on 16 November 2020 by Ms. Feng Lihua (the “**Petitioner**”) against the Company in the High Court of the Hong Kong Special Administrative Region (the “**High Court**”) for an order that the Company be wound up by the Court. The Petition was filed against the Company for the Company’s failure to settle the principal payment in the sum of HK\$10,000,000 due on 3 June 2020 in respect of the bond issued to the Petitioner by the Company as well as the interest accrued on the bond from 1 October 2019 to 30 September 2020 in the sum of HK\$650,000. The Petition was heard on 10 February 2021 as scheduled at the High Court before a Master. The Petitioner and the Company have reached settlement agreement (“**Settlement Agreement**”) and the Petition is expected to be withdrawn by the Petitioner upon the Company’s full payment of the outstanding debt owed to the Petitioner. However, the Company has not fully complied with the Settlement Agreement and the Petitioner applied to the High Court to bring forward the hearing of the Petition. The Petition is adjourned to be heard by a date not earlier than 8 October 2021.

As at 30 June 2021, except as disclosed above, 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 Renminbi and 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 2021, 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 2021, the Group had a total of 125 (31 December 2020: 165) staff, primarily in the PRC. The total staff cost was RMB4.9 million (six months ended 30 June 2020: RMB5.2 million) for the six months ended 30 June 2021.

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 final dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: 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. Save as disclosed below, during the six months ended 30 June 2021, the Company has complied with the code provisions set out in the CG Code.

With effect from 18 December 2020, Mr. Hung Hing Hung has resigned as the company secretary of the Company. As at the date of this announcement, the Company is in the course of identifying suitable candidate(s) to fill up the vacancies of the company secretary of the Company so as to meet the requirements under Rules 3.05 and 3.28 of the Listing Rules as soon as practicable. Following the resignation of Mr. Hung Hing Hung as the company secretary of the Company, there is breach of code provision F.1.4 of the CG Code which requires that all directors should have access to the advice and services of the company secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed.

With effect from 1 February 2021, Mr. Liu Liangzhong (“**Mr. Liu**”) has resigned as an independent non-executive Director, the chairman of each of the audit committee (“**Audit Committee**”) and the remuneration committee (“**Remuneration Committee**”), and a member of each of the nomination committee (“**Nomination Committee**”) and the corporate governance committee (“**CG Committee**”). Following the resignation of Mr. Liu on 1 February 2021, the Company had no independent non-executive Directors, no member of the Audit Committee, no member of the Nomination Committee and no member of the Remuneration Committee, and did 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 met the same requirements under Rule 3.10(2) of the Listing Rules.

Pursuant to Rule 3.10(1) of the 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. Pursuant to Rule 3.25 of the Listing Rules, an issuer must establish a remuneration committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors. Pursuant to code provision A.5.1 of the CG Code, issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.

Following the resignation of Mr. Liu, it fell 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 fell below one-third of the Board as required under Rule 3.10(A) of the Listing Rules. The Board did 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 met the same requirements under Rule 3.10(2) of the Listing Rules. The Company did not have a Remuneration Committee chaired by an independent non-executive Director and comprising a majority of independent non-executive Directors as required under Rule 3.25 of the Listing Rules. The Company did not have a Nomination Committee which was chaired by the chairman of the Board or an independent non-executive Director and comprised a majority of independent non-executive Directors as required under code provision A.5.1 of the CG Code.

With effect from 22 February 2021, (1) Professor Xiao Kai has been appointed as the chairman of the Board, an executive Director and the chairman of the Nomination Committee; (2) Mr. Yang Bo has been appointed as an executive Director; (3) Mr. Cao Lei has been appointed as an independent non-executive Director, the chairman of the Remuneration Committee and the CG Committee, and a member of each of the Audit Committee and the Nomination Committee; (4) Mr. Ng Wai Tsan has been appointed as an independent non-executive Director, a member of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and the CG Committee; and (5) Mr. Chen Yongsheng has been appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of each of the Remuneration Committee and the CG Committee.

As disclosed in the announcement of the Company dated 30 June 2021, the following changes in corporate positions took place with effect from the conclusion of the annual general meeting for the year ended 31 December 2020:

- (i) Mr. Hu Haisong retired as the non-executive Directors;
- (ii) Mr. Wu Guohua retired as the non-executive Directors;
- (iii) Professor Xiao Kai retired as the chairman of the Board and an executive Director and ceased to be the chairman of the Nomination Committee;
- (iv) Mr. Yang Bo retired as an executive Director;
- (v) Mr. Cao Lei retired as an independent non-executive Director and ceased to be the chairman of each of the Remuneration Committee and the CG Committee, and member of each of the Audit Committee and the Nomination Committee;
- (vi) Mr. Ng Wai Tsan retired as an independent non-executive Director and ceased to be a member of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and the CG Committee; and
- (vii) Mr. Chen Yongsheng retired as an independent non-executive Director and ceased to be the chairman of the Audit Committee and a member of each of the Remuneration Committee and the CG Committee.

Following the retirement of the above Directors, the Company has no independent non-executive Directors, no member of the Audit Committee, no member of the Nomination Committee and no 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 Company does not have a Remuneration Committee chaired by an independent non-executive Director and comprising a majority of independent non-executive Directors as required under Rule 3.25 of the Listing Rules; and a Nomination Committee which is chaired by the chairman of the Board or an independent non-executive Director and comprises a majority of independent non-executive Directors as required under code provision A.5.1 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules. In addition, the Board does 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 Board currently comprises one executive Director and one non-executive Director.

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.

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 3.21 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. As at the date of this announcement, the Board does 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. In view of the above, the interim results of the Group for the six months ended 30 June 2021 have not been reviewed by the Audit Committee.

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 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board of Directors
Pa Shun International Holdings Limited
Shen Shun
Executive Director

Hong Kong, 31 August 2021

As at the date of this announcement, the executive Director is Mr. Shen Shun; and the non-executive Director is Mr. Zhang Xiongfeng.

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 2021 will be dispatched to the shareholders of the Company and will be available on the same websites in due course.