



百信集團

PASHUN GROUP

Pa Shun International Holdings Limited

百信國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 574

Interim  
Report  
**2019**

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## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

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

### NON-EXECUTIVE DIRECTORS

Mr. Zhang Xiongfeng  
Mr. Hu Haisong (appointed on 20 May 2019)  
Mr. Wu Guohua (appointed on 20 May 2019)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Liangzhong  
Mr. Wong Tak Shing  
Mr. Lu Yongchao

### AUTHORISED REPRESENTATIVES

Mr. Chen Yenfei  
Mr. Shen Shun

### COMPANY SECRETARY

Mr. Hung Hing Hung *HKICPA*  
(appointed on 13 August 2019)  
Mr. Chang Eric Jackson *HKICPA, AICPA*  
(appointed on 10 May 2019  
and resigned on 13 August 2019)  
Mr. Tsoi Yuen Hoi *HKICPA, ACCA*  
(resigned on 10 May 2019)

### AUDIT COMMITTEE

Mr. Liu Liangzhong *(Chairman)*  
Mr. Lu Yongchao  
Mr. Wong Tak Shing

### REMUNERATION COMMITTEE

Mr. Liu Liangzhong *(Chairman)*  
Mr. Chen Yenfei  
Mr. Wong Tak Shing

### NOMINATION COMMITTEE

Mr. Chen Yenfei *(Chairman)*  
Mr. Liu Liangzhong  
Mr. Lu Yongchao

### CORPORATE GOVERNANCE COMMITTEE

Mr. Chen Yenfei *(Chairman)*  
Mr. Lu Yongchao  
Mr. Liu Liangzhong

### REGISTERED OFFICE

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

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

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

### PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

#### **AUDITORS**

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

#### **STOCK CODE**

00574

#### **COMPANY'S WEBSITE**

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

#### **PRINCIPAL BANK**

Bank of Communications Co., Ltd.

#### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

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

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

Tricor Investor Services Limited  
Level 54  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

The board (the “Board”) of directors (the “Directors”) of Pa Shun International Holdings Limited (the “Company”) is pleased to announce the interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 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”).

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
		RMB'000	RMB'000
		(unaudited)	(unaudited)
	Notes		
<b>Revenue</b>	3(a)	<b>452,188</b>	418,295
Cost of sales		<b>(420,156)</b>	(377,044)
<b>Gross profit</b>		<b>32,032</b>	41,251
Other income and gains	4(a)	<b>11,535</b>	13,985
Other losses	4(b)	<b>(2,897)</b>	(4,797)
Selling and distribution expenses		<b>(6,495)</b>	(11,410)
General and administrative expenses		<b>(19,837)</b>	(18,252)
Finance costs	5	<b>(6,137)</b>	(7,930)
Share of profit of associate		<b>651</b>	164
<b>Profit before tax</b>	6	<b>8,852</b>	13,011
Income tax expense	7	<b>(4,063)</b>	(5,040)
<b>Profit for the period</b>		<b>4,789</b>	7,971
<b>Profit for the period attributable to:</b>			
Equity shareholders of the Company		<b>4,614</b>	7,971
Non-controlling interests		<b>175</b>	–
		<b>4,789</b>	7,971
		<b>Six months ended 30 June</b>	
		<b>2019</b>	2018
		<b>RMB cent</b>	<b>RMB cent</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
	9		
<b>Earnings per share</b>			
Basic		<b>0.32</b>	0.75
Diluted		<b>N/A</b>	N/A

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR  
LOSS AND OTHER COMPREHENSIVE INCOME***For the six months ended 30 June 2019*

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>Profit for the period</b>	<b>4,789</b>	7,971
<b>Other comprehensive income for the period</b>		
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")	<u>1,376</u>	<u>5,874</u>
<b>Total comprehensive income for the period</b>	<b><u>6,165</u></b>	<u>13,845</u>
<b>Total comprehensive income for the period attributable to:</b>		
Equity shareholders of the Company	<b>5,990</b>	13,845
Non-controlling interests	<u>175</u>	<u>—</u>
	<b><u>6,165</u></b>	<u>13,845</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30 June 2019

	Notes	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	53,478	58,026
Right-of-use assets	11	3,977	–
Prepaid land lease payments		–	2,315
Interests in associates		50,580	9,382
Goodwill		–	5,942
Other intangible assets	14(b)	34,830	886
Prepayments for intangible assets		17,000	17,000
Financial assets at fair value through other comprehensive income	14(c)(i)	25,000	–
Other non-current assets	12	209,670	192,769
Deferred tax assets		4,736	4,117
		<b>399,271</b>	<b>290,437</b>
<b>CURRENT ASSETS</b>			
Inventories		71,324	55,573
Trade and other receivables	13	467,931	422,193
Prepayments and deposits paid	14	180,690	259,054
Amount due from an associate		–	10,834
Amounts due from related parties		116	1,078
Pledged bank deposits	15	106	41,111
Cash and cash equivalents	15	53,479	48,831
		<b>773,646</b>	<b>838,674</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	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	17	5,427	5,074
Income tax payable		11,351	13,930
		<b>147,778</b>	<b>157,805</b>
<b>NET CURRENT ASSETS</b>		<b>625,868</b>	<b>680,869</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,025,139</b>	<b>971,306</b>

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

At 30 June 2019

	<i>Notes</i>	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
<b>NON-CURRENT LIABILITIES</b>			
Deferred income – government grant		24,309	24,565
Corporate bonds payable	17	87,247	82,336
Lease liabilities		354	–
Deferred tax liabilities		–	7,932
		<u>111,910</u>	<u>114,833</u>
<b>NET ASSETS</b>			
		<u>913,229</u>	<u>856,473</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	18	1,216	1,116
Reserves		926,061	869,580
<b>Total equity attributable to equity shareholders of the Company</b>		<u>927,277</u>	<u>870,696</u>
<b>Non-controlling interests</b>		<u>(14,048)</u>	<u>(14,223)</u>
<b>TOTAL EQUITY</b>		<u>913,229</u>	<u>856,473</u>



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	PRC statutory reserve	Convertible bonds reserve	Share option reserve	Exchange reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2019 (audited)</b>	1,116	641,391	48,789	-	20,537	(1,462)	(26,534)	186,859	870,696	(14,223)	856,473
Profit for the period	-	-	-	-	-	-	-	4,614	4,614	175	4,789
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of financial statements of entities outside the PRC	-	-	-	-	-	1,376	-	-	1,376	-	1,376
Total comprehensive income for the period	-	-	-	-	-	1,376	-	4,614	5,990	175	6,165
Issue of shares upon acquisition of subsidiaries	100	50,491	-	-	-	-	-	-	50,591	-	50,591
Appropriation to PRC statutory reserve	-	-	1,069	-	-	-	-	(1,069)	-	-	-
<b>At 30 June 2019 (unaudited)</b>	<b>1,216</b>	<b>691,882</b>	<b>49,858</b>	<b>-</b>	<b>20,537</b>	<b>(86)</b>	<b>(26,534)</b>	<b>190,404</b>	<b>927,277</b>	<b>(14,048)</b>	<b>913,229</b>
<b>At 1 January 2018 (audited)</b>	856	469,233	47,094	7,395	11,997	3,986	(28,150)	236,854	749,265	-	749,265
Profit for the period	-	-	-	-	-	-	-	7,971	7,971	-	7,971
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of financial statements of entities outside the PRC	-	-	-	-	-	5,874	-	-	5,874	-	5,874
Total comprehensive income for the period	-	-	-	-	-	5,874	-	7,971	13,845	-	13,845
Appropriation to PRC statutory reserve	-	-	2,529	-	-	-	-	(2,529)	-	-	-
<b>At 30 June 2018 (unaudited)</b>	<b>856</b>	<b>469,233</b>	<b>49,623</b>	<b>7,395</b>	<b>11,997</b>	<b>9,860</b>	<b>(28,150)</b>	<b>242,296</b>	<b>763,110</b>	<b>-</b>	<b>763,110</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
<b>Net cash (used in)/generated from operating activities</b>	<b>(18,278)</b>	57,142
<b>Investing activities</b>		
Disposal of a subsidiary	4,912	–
Disposal of an associate	8,124	–
Decrease in pledged bank deposits	40,589	12,214
Other net cash inflow/(outflow)	23	(4,311)
Net cash generated from investing activities	<b>53,648</b>	7,903
<b>Financing activities</b>		
Proceeds from issue of corporate bonds	–	6,090
Corporate bonds issue expenses	–	(1,165)
Other net cash outflow	<b>(30,700)</b>	(28,257)
<b>Net cash used in financing activities</b>	<b>(30,700)</b>	(23,332)
<b>Net increase in cash and cash equivalents</b>	<b>4,670</b>	41,713
Cash and cash equivalents at the beginning of the period	48,831	35,036
Effect of changes in foreign exchange rate	(22)	(671)
<b>Cash and cash equivalents at the end of the period</b>	<b>53,479</b>	76,078

## 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 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 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.

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

**2. CHANGES IN ACCOUNTING POLICIES** *(Continued)***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:

	<b>Increase/ (decrease)</b> RMB'000 (Unaudited)
<b>Assets</b>	
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)
<b>Increase in total assets</b>	<b>2,478</b>
<b>Liabilities</b>	
Current liabilities	
Increase in trade and other payables	1,511
Non-current liabilities	
Increase in lease liabilities	967
<b>Increase in total liabilities</b>	<b>2,478</b>

## 2. CHANGES IN ACCOUNTING POLICIES (Continued)

### HKFRS 16 Leases (Continued)

#### Impacts on transition (Continued)

(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)	<u>2,478</u>

#### 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.

## 2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

### HKFRS 16 Leases *(Continued)*

#### *Summary of new accounting policies (Continued)*

##### 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.

**2. CHANGES IN ACCOUNTING POLICIES** (Continued)**HKFRS 16 Leases** (Continued)

Summary of new accounting policies (Continued)

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

	<b>Right-of-use assets</b>	<b>Lease liabilities and other payables</b>
	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	<u>2,380</u>	<u>–</u>
	4,858	2,478
Depreciation charge	(676)	–
Disposals	(206)	–
Interest expense	–	52
Payments	–	(798)
Exchange difference	<u>1</u>	<u>–</u>
As at 30 June 2019	<u>3,977</u>	<u>1,732</u>



### 3. REVENUE AND SEGMENT REPORTING

#### (a) Revenue

The principal activities of the Group are pharmaceutical distribution, self-operated retail pharmacies and manufacture of pharmaceutical products in the PRC.

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

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

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

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

#### (b) Segment reporting

The Group manages its business by business lines and distribution channels. In a manner consistent with the way in which information is reported internally to the executive Directors, being the chief operating decision makers, for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. No other operating segments have been aggregated to form the following reportable segments.

- Pharmaceutical distribution: this segment generates revenue primarily from sales of pharmaceutical products to (i) wholesalers, (ii) franchise retail pharmacy chain stores and (iii) hospitals and other medical institutions in rural areas.
- Self-operated retail pharmacies: this segment generates revenue primarily from sales of pharmaceutical and healthcare products, cosmetic products and daily necessities in self-operated retail pharmacies.
- Pharmaceutical manufacturing: this segment generates revenue primarily from sales of pharmaceutical products manufactured by the Group.

The Group's revenue and operating profit were entirely derived from activities of pharmaceutical distribution, self-operated retail pharmacies and pharmaceutical manufacturing in the PRC and the principal assets employed by the Group were located in the PRC for the six months ended 30 June 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.

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

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

##### (i) Segment revenue and results

Segment information regarding the Group's revenue and results as provided to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2019 and 2018 is set out below.

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	
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							Total RMB'000
	Sales to wholesalers RMB'000	Sales to franchise retail pharmacy chain stores RMB'000	Sales to hospitals and other medical institutions in rural areas RMB'000	Others RMB'000	Sub-total RMB'000	Self-operated retail pharmacies RMB'000	Pharmaceutical manufacturing RMB'000	
	Revenue from external customers	296,710	58,087	24,600	1,041	380,438	1,853	
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

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

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

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>Revenue</b>		
Reportable segment revenue	<b>452,298</b>	419,140
Elimination of inter-segment revenue	<b>(110)</b>	(845)
	<hr/>	<hr/>
Consolidated revenue (note 3(a))	<b>452,188</b>	418,295
	<hr/>	<hr/>
<b>Profit</b>		
Reportable segment profit	<b>32,021</b>	41,259
Elimination of inter-segment loss/(profit)	<b>11</b>	(8)
	<hr/>	<hr/>
Gross profit derived from external customers	<b>32,032</b>	41,251
Other income and gains	<b>11,535</b>	13,985
Other losses	<b>(2,897)</b>	(4,797)
Selling and distribution expenses	<b>(6,495)</b>	(11,410)
General and administrative expenses	<b>(19,837)</b>	(18,252)
Finance costs	<b>(6,137)</b>	(7,930)
Share of profit of associate	<b>651</b>	164
	<hr/>	<hr/>
Consolidated profit before tax	<b>8,852</b>	13,011
	<hr/>	<hr/>
<b>Other items</b>		
Depreciation and amortisation		
Reportable segment total	<b>58</b>	444
Unallocated total	<b>1,780</b>	3,027
	<hr/>	<hr/>
Consolidated total	<b>1,838</b>	3,471
	<hr/>	<hr/>

## 4. OTHER INCOME AND GAINS AND OTHER LOSSES

## (a) Other income and gains

## Six months ended 30 June

	2019 RMB'000 (unaudited)	2018 RMB'000 (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 ( <i>note 25</i> )	5,516	–
Gain on disposal of intangible assets	–	566
Reversal of impairment on deposits paid for acquisition of property, plant and equipment ( <i>note 12(b)</i> )	–	10,000
Reversal of impairment loss in other receivables	32	–
Others	1,229	–
	<u>11,535</u>	<u>13,985</u>

## 4. OTHER INCOME AND GAINS AND OTHER LOSSES (Continued)

## (b) Other losses

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (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	–
	<u>2,897</u>	<u>4,797</u>

## 5. FINANCE COSTS

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Interest on:		
Bank borrowings	967	146
Corporate bonds payable (note 17)	5,039	4,444
Convertible bonds	–	3,152
Lease liabilities	52	–
Other borrowings	79	–
Bills charges and other bank charges	–	188
	<u>6,137</u>	<u>7,930</u>

**6. PROFIT BEFORE TAX**

Profit before tax is arrived at after charging:

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Cost of inventories sold ( <i>note i</i> )	<b>420,156</b>	377,044
Salaries, wages and other benefits	<b>6,337</b>	7,119
Contributions to defined contribution retirement plans	<b>224</b>	1,011
Total staff costs ( <i>note ii</i> )	<b>6,561</b>	8,130
Amortisation of other intangible assets	<b>1,056</b>	88
Amortisation of prepaid land lease payments	–	153
Depreciation of property, plant and equipment	<b>1,838</b>	3,230
Depreciation of right-of-use assets	<b>676</b>	–
Auditors' remuneration		
Audit services	–	142
Non-audit services	<b>217</b>	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 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
<b>Current tax – PRC Enterprise Income Tax</b>		
Provision for the period	4,682	7,493
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(619)	(2,453)
	<u>4,063</u>	<u>5,040</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 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. DIVIDENDS**

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

**9. 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*

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Earnings for the purpose of basic earnings per share	<b>4,614</b>	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)
	<hr/>	<hr/>
Earnings for the purpose of diluted earnings per share	<b>N/A</b>	N/A
	<hr/>	<hr/>

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

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>Number of shares '000 (unaudited)</b>	Number of shares '000 (unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,420,566</b>	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	<b>N/A</b>	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.

**10. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2019, the Group did not acquire any significant items of property, plant and equipment. During the six months ended 30 June 2019, the Group disposed of items of property, plant and equipment with the carrying amount of RMB2,727,000 (six months ended 30 June 2018: Nil). The property, plant and equipment disposed of during the current period was made through the disposal of a subsidiary detailed in note 25. Depreciation of property, plant and equipment for the six months ended 30 June 2019 amounted to RMB1,838,000 (six months ended 30 June 2018: RMB3,230,000).

**11. RIGHT-OF-USE ASSETS**

	<b>30 June 2019</b> RMB'000 (Unaudited)
At 1 January 2019	
Recognition of lease liabilities	2,478
Reallocated from prepaid land lease payments	<u>2,380</u>
	4,858
Depreciation provided for the period	(676)
Disposals	(206)
Exchange difference	<u>1</u>
At 30 June 2019	<u>3,977</u>

The right-of-use asset are stated at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liability.

## 12. OTHER NON-CURRENT ASSETS

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Payments in connection with a property development project ( <i>note a</i> )	185,797	185,797
Deposits paid for the acquisition of: – property, plant and equipment ( <i>note b</i> )	1,972	1,972
Guarantee deposit ( <i>note c</i> )	5,000	5,000
Consideration receivable for disposal of a subsidiary ( <i>note 13c(ii)</i> )	16,901	–
	<u>209,670</u>	<u>192,769</u>

### Notes:

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

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

## 12. OTHER NON-CURRENT ASSETS (Continued)

Notes: (Continued)

(a) (Continued)

As at the end of the reporting period, the Group had payments to Chengdu Yiming amounting to approximately RMB185,797,000 (31 December 2018: RMB185,797,000) for the property development project of a logistic centre in the PRC. The land use rights of the land of the property development project is currently registered in the name of a subsidiary of the Company and Chengdu Yiming. It is the understanding of the management of the Group and Chengdu Yiming that the development costs of the property development project, including any land premium of the land for the project arising from change of land usage, are initially financed as to 30% and 70% by the Group and Chengdu Yiming respectively and the subsidiary and Chengdu Yiming are entitled to initially share 30% and 70% of the gross floor area of the properties after the completion of development. Detailed terms of the property development project are yet to be finalised by the Group and Chengdu Yiming.

Up to the date of approval of these condensed consolidated interim financial statements, the property development project was in preliminary stage and negotiation with the PRC local government regarding the land premium and other terms for the change of land usage of the land for the property development project are not finalised.

- (b) The deposits were paid by the Group for acquiring and installing plant and machinery in the Group's production plant. Included in the deposits paid as at 31 December 2017 are the amounts paid by the Group to two independent third parties amounting to RMB10,000,000, of which impairment loss amounting to RMB10,000,000 has been recognised up to that date. During the six months ended 30 June 2018, the deposits of RMB10,000,000 were refunded to the Group, accordingly the impairment loss of RMB10,000,000 previously made were reversed in respect of the six months ended 30 June 2018 and included in other income and gains (note 4(a)).
- (c) Guarantee deposit represents the deposit paid for a ten-year period Chinese herbal planting project which will be refunded upon the completion of the project.

## 13. TRADE AND OTHER RECEIVABLES

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Trade and commercial bills receivables ( <i>note a</i> )	372,388	346,191
Bank bills receivables ( <i>note b</i> )	207	1,325
Other receivables ( <i>note c</i> )	95,336	74,677
	<u>467,931</u>	<u>422,193</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 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
	<u>372,388</u>	<u>346,191</u>

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

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

Notes: (Continued)

**(b) Bank bills receivables**

The bank bills receivables are aged within 180 days (31 December 2018: 180 days).

**(c) Other receivables**

An analysis of other receivables is as follows:

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Loan receivable (note (i))	6,176	8,000
Other taxes recoverable	33,789	23,219
Consideration receivable for disposal of a subsidiary (note (ii))	9,425	–
Consideration paid for acquisition of investments refundable (note 14c (ii))	30,000	–
Consideration receivable for the disposal of biological assets, land use rights and related property, plant and equipment	–	26,000
Consideration receivable for disposal of other intangible assets	3,000	3,000
Consideration receivable for partial disposal of a subsidiary	–	2,450
Others	12,946	12,008
	<u>95,336</u>	<u>74,677</u>

Notes:

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

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

Notes: (Continued)

**(c) Other receivables** (Continued)

Notes: (Continued)

- (ii) The consideration receivable for disposal of a subsidiary amounted to RMB30,000,000 at 30 June 2019, of which RMB10,000,000 is payable by the vendor on or before 31 December 2019 with the remaining balance of RMB20,000,000 payable by the vendor on or before 31 December 2020. The consideration receivable is carried at amortised cost with the effective interest rate of 11.52% per annum. An analysis of the consideration receivable is as follows:

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Consideration receivable:		
– within one year	9,425	–
– in the second to fifth years	16,901	–
Total consideration receivable	26,326	–
Less: receivable not within one year included in other non-current assets (note 12)	(16,901)	–
Receivable within one year included in other receivables	9,425	–

The imputed interest income on consideration receivable up to 30 June 2019 is insignificant and has not been accounted for in the condensed consolidated interim financial statements for the current period.



## 14. PREPAYMENTS AND DEPOSITS PAID

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Advance payments to suppliers ( <i>note a</i> )	174,345	153,385
Deposit paid for intangible assets ( <i>note b</i> )	–	35,000
Consideration paid for acquisition of unlisted investments ( <i>note c</i> )	–	65,000
Other deposits and prepayments	<u>6,345</u>	<u>5,669</u>
	<u>180,690</u>	<u>259,054</u>

*Notes:*

- (a) The amount represents deposits paid to suppliers for purchases of goods in relation to the business undertaken by the Group. Management expects that a substantial portion of these purchases will be made within one year after the end of the reporting period.
- (b) During the year ended 31 December 2018, the Group entered into an agreement with an independent third party for the acquisition of three intangible assets for a total of consideration of RMB35,000,000, which was fully paid by the Group up to that date. Completion of the acquisition has taken place in February 2019 and the consideration of RMB35,000,000 was reclassified and is included in the cost of these intangible assets acquired.
- (c) (i) During the year ended 31 December 2018, the Group entered into an agreement for the acquisition of 5% equity interest in an unlisted entity for the consideration of RMB25,000,000, which was fully paid by the Group up to that date. The unlisted entity is principally engaged in manufacturing of Chinese medicine in the PRC. Completion of the acquisition has taken place in January 2019 and the consideration of RMB25,000,000 was reclassified and is included in financial assets at fair value through other comprehensive income.
- (ii) During the year ended 31 December 2018, the Group entered into an agreement for the proposed acquisition of 60% equity interest in another entity for the consideration of RMB40,000,000, which was fully paid by the Group up to that date. During the six months ended 30 June 2019, the proposed acquisition was cancelled and the payment previously made to the extent of RMB10,000,000 was refunded to the Group, with the remaining balance of RMB30,000,000 expected to be repayable to the Group within one year from 30 June 2019 and is included in other receivables (note 13(c)).

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

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Pledged bank deposits ( <i>notes a and c</i> )	106	41,111
Cash and cash equivalents in the consolidated statement of financial position ( <i>notes b and c</i> )		
– Cash at banks and on hand	<u>53,479</u>	<u>48,831</u>
	<u>53,585</u>	<u>89,942</u>

*Notes:*

- (a) Bank deposits amounting to RMB106,000 (31 December 2018: RMB11,111,000) have been pledged to banks for bills facilities of RMB212,000 (31 December 2018: RMB11,730,000). The pledged bank deposits will be released upon the settlement of relevant bills payables. The bills facilities to the extent of RMB212,000 were utilised as at the end of the reporting period (31 December 2018: RMB11,730,000).
- (b) Cash at bank earned interest at floating rates based on daily bank deposit rates.
- (c) Cash and cash equivalents and pledged bank deposits placed with banks in the PRC amounted to RMB49,929,000 (31 December 2018: RMB55,223,000). Remittance of these funds out of the PRC is subject to relevant rules and regulations of foreign exchange control promulgated by the government of the PRC.

## 16. 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	<u>64,322</u>	<u>52,119</u>
	<u>118,996</u>	<u>94,277</u>

*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	<u>23,081</u>	<u>22,003</u>
	<u>54,462</u>	<u>30,428</u>

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

## 17. CORPORATE BONDS PAYABLE

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Carrying amount of corporate bonds due in:		
– 2019	5,427	5,074
– 2020	22,938	21,516
– 2021	14,216	13,406
– 2022	2,856	2,701
– 2023	786	746
– 2024	30,710	29,024
– 2025	15,741	14,943
	<b>92,674</b>	<b>87,410</b>
Payable		
– Within one year	5,427	5,074
– In the second to fifth years	40,796	38,369
– More than five years	46,451	43,967
	<b>92,674</b>	<b>87,410</b>
Analysed for reporting purposes as:		
Current liability	5,427	5,074
Non-current liability	87,247	82,336
	<b>92,674</b>	<b>87,410</b>
Movements in corporate bonds payable are as follows:		
At beginning of the period/year	87,410	74,740
Proceeds received on issue of corporate bonds	–	6,320
Bonds issue expenses	–	(1,209)
Interest recognised as finance costs	5,039	9,438
Interest paid during the period/year	–	(6,190)
Exchange realignment	225	4,311
At end of the period/year	<b>92,674</b>	<b>87,410</b>

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

At 30 June 2019, corporate bonds with principal amount of HK\$113,900,000 (31 December 2018: HK\$113,900,000) remained outstanding.

**18. SHARE CAPITAL**

	At 30 June 2019 (unaudited)		At 31 December 2018 (audited)	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
<b>Authorised:</b>				
<b>Ordinary shares of HK\$0.001 each</b>				
At the beginning of the period/year	5,000,000	5,000	2,000,000	2,000
Increase in ordinary shares during the year ended 31 December 2018	–	–	3,000,000	3,000
At the end of the period/year	<b>5,000,000</b>	<b>5,000</b>	<b>5,000,000</b>	<b>5,000</b>

	At 30 June 2019 (unaudited)			At 31 December 2018 (audited)		
	Number of shares '000	Nominal value of shares HK\$'000	Carrying amount RMB'000	Number of shares '000	Nominal value of shares HK\$'000	Carrying amount RMB'000
<b>Issued and fully paid:</b>						
<b>Ordinary shares of HK\$0.001 each</b>						
At the beginning of the period/year	1,357,874	1,358	1,116	1,064,564	1,065	856
Issue of shares upon acquisition of subsidiaries	117,119	117	100	269,000	269	238
Issue of shares on exercise of share options	–	–	–	24,310	24	22
At the end of the period/year	<b>1,474,993</b>	<b>1,475</b>	<b>1,216</b>	<b>1,357,874</b>	<b>1,358</b>	<b>1,116</b>

## 19. EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

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

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

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

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

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

No share options under the Scheme were granted, exercised, forfeited or lapsed during the six months ended 30 June 2019. During the year ended 31 December 2018, options to subscribe for 100,000,000 shares at the exercise price of HK\$0.67 per share were granted by the Company.

Movements in the number of share options outstanding during the six months ended 30 June 2019 and the year ended 31 December 2018 and their exercise prices are as follows:

	Six months ended 30 June 2019 (unaudited)					Year ended 31 December 2018 (audited)				
	Weighted average exercise price	Number of share options				Weighted average exercise price	Number of share options			
		HK\$	Directors '000	Employees '000	Others '000		Total '000	HK\$	Directors '000	Employees '000
At beginning of the period/year	0.64	28,000	40,390	107,300	175,690	0.6	8,000	54,700	37,300	100,000
Granted during the period/year	-	-	-	-	-	0.67	20,000	10,000	70,000	100,000
Exercised during the period/year	-	-	-	-	-	0.6	-	(24,310)	-	(24,310)
At end of the period/year	0.64	28,000	40,390	107,300	175,690	0.64	28,000	40,390	107,300	175,690
Exercisable at the end of the period/year	0.64	28,000	40,390	107,300	175,690	0.64	28,000	40,390	107,300	175,690

The options are exercisable during the period from 8 July 2016 to 25 May 2025.

No equity-settled share-based payments has been recognised in profit or loss in respect of the current period (six months ended 30 June 2018: Nil) relating to share options granted by the Company. Equity-settled share-based payments amounted to RMB11,456,000 has been recognised in profit or loss in respect of the six months ended 31 December 2018 relating to share options granted by the Company.

The weighted average exercise price of the share options granted and outstanding at the end of the reporting period is HK\$0.64 per share (31 December 2018: HK\$0.64 per share). The weighted average remaining contractual life of outstanding share options granted and outstanding at the end of the reporting period is from 0.5 to 5.9 years (31 December 2018: from 1 to 6.4 years).

## 20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

#### Fair value measurements categorised into Level 2

#### Recurring fair value measurements

Asset:

Financial assets at fair value  
through other comprehensive income

At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
<u>25,000</u>	<u>—</u>



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

During the six months ended 30 June 2019 and 30 June 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as of the end of the reporting period in which they occur.

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

The Directors consider that the carrying amounts of the Group's financial instruments carried at amortised cost at 30 June 2019 and 31 December 2018 are not materially different from their fair values as at those respective dates. The fair values, which are included in Level 3 category, have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rates that reflect the credit risk of counterparties.

**21. OPERATING LEASE COMMITMENTS**

At 30 June 2019 and 31 December 2018, the total future minimum lease payments under non-cancellable operating leases payable are as follows:

	<b>At 30 June 2019 RMB'000 (unaudited)</b>	<b>At 31 December 2018 RMB'000 (audited)</b>
Within 1 year	–	1,490
In the second to fifth years, inclusive	–	992
	<u>–</u>	<u>2,482</u>

## 22. COMMITMENTS

Commitments contracted but not provided for in respect of acquisition of property, plant and equipment

At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
<u>3,504</u>	<u>3,504</u>

## 23. MATERIAL RELATED PARTY TRANSACTIONS

### Key management personnel remuneration

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

Salaries, wages and other benefits  
Contributions to defined contribution retirement plans

### Six months ended 30 June

2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
1,456	1,447
<u>56</u>	<u>15</u>
<u>1,512</u>	<u>1,462</u>

## 24. ACQUISITION OF SUBSIDIARIES

### Acquisition of Bisan Parkwell Consultants Limited (“Bisan Parkwell”)

On 8 March 2019, a subsidiary of the Company, Ready Gain Limited (“Ready Gain”), entered into an agreement with third parties for the acquisition of 100% equity interest in Bisan Parkwell for a consideration of HK\$45,325,000. Completion of the acquisition took place on 19 March 2019 and the consideration for the acquisition was satisfied by the issue of 82,409,090 new shares of the Company. The fair value of the shares issued is estimated to be RMB38,090,000 at the date of issue, which is calculated based on the closing market price of the Company’s share at the issue date.

Bisan Parkwell, being an investment holding company, holds 49% equity interest in Awesome Applause Sdn. Bhd. (“Awesome Applause”), Pursuant to the acquisition agreement, the Group is in a position to exercise significant influence over Awesome Applause, Awesome Applause is regarded an associate of the Company upon the completion of the acquisition.

Awesome Applause is a company incorporated in Malaysia with limited liability and is principally engaged in property investment. The principal assets of Awesome Applause are 48 units of the property located in Melaka, Malaysia, which are under construction and completion thereof is expected to be completed in 2020.

**24. ACQUISITION OF SUBSIDIARIES** *(Continued)***Acquisition of Bisan Parkwell Consultants Limited (“Bisan Parkwell”)** *(Continued)*

The acquisition of Bisan Parkwell is accounted for as asset acquisition, assets and liabilities recognised at the acquisition date:

	RMB'000 (unaudited)
<b>Assets</b>	
Interest in associate	38,088
Amount due from shareholder	<u>8</u>
	<u>38,096</u>
<b>Liabilities</b>	
Other payables	5
Amount due to associate	<u>1</u>
	<u>6</u>
Total identifiable net assets acquired	<u>38,090</u>
<b>Representing</b>	
Consideration transferred	
– shares issued by the Company	<u>38,090</u>

## 24. ACQUISITION OF SUBSIDIARIES *(Continued)*

### **Acquisition of Parkwell Services Consultants Limited (“Parkwell Services”)**

On 3 April 2019, a subsidiary of the Company, Big Wish Global Limited (“Big Wish”), entered into an agreement with third parties for the acquisition of 100% equity interest in Parkwell Services for a consideration of HK\$19,090,400. Completion of the acquisition took place on 12 April 2019 and the consideration for the acquisition was satisfied by the issue of 34,709,818 new shares of the Company. The fair value of the shares issued is estimated to be RMB12,501,000 at the date of issue, which is calculated based on the closing market price of the Company’s share at the issue date.

Parkwell Services, being an investment holding company, holds 49% equity interest in Massive Goodwill Sdn. Bhd. (“Massive Goodwill”), Pursuant to the acquisition agreement, the Group is in a position to exercise significant influence over Massive Goodwill, Massive Goodwill is regarded an associate of the Company upon the completion of the acquisition.

Massive Goodwill is a company incorporated in Malaysia with limited liability and is principally engaged in property investment. The principal assets of Massive Goodwill are 20 units of the property located in Melaka, Malaysia, which are under construction and completion thereof is expected to be completed in 2020.

**24. ACQUISITION OF SUBSIDIARIES** *(Continued)***Acquisition of Parkwell Services Consultants Limited (“Parkwell Services”)** *(Continued)*

The acquisition of Parkwell Services is accounted for as asset acquisition, assets and liabilities recognised at the acquisition date:

	RMB'000 (unaudited)
<b>Assets</b>	
Interest in associate	12,499
Amount due from shareholder	<u>9</u>
	<u>12,508</u>
<b>Liabilities</b>	
Other payables	6
Amount due to associate	<u>1</u>
	<u>7</u>
Total identifiable net assets acquired	<u>12,501</u>
<b>Representing</b>	
Consideration transferred – shares issued by the Company	<u>12,501</u>

**25. DISPOSAL OF SUBSIDIARY****Disposal took place during the period ended 30 June 2019**

On 14 June 2019, a subsidiary of the Company, Chengdu Kexun Pharmaceutical Co., Ltd., disposed of 100% equity interest in Yanchi County Medical & Pharmaceutical Herbal Co., Ltd. ("Yanchi") to a third party, for RMB35,000,000. Yanchi was engaged in plantation of biological assets, distribution of Chinese herbal medicines and medicine chain store operation in the PRC.

The fair value of the consideration at the date of completion of the disposal was estimated to be RMB31,326,000, using the effective interest rate of 11.52% per annum.

*Consideration for the disposal:*

	RMB'000 (unaudited)
Cash consideration	
– received by the Group	5,000
– receivable by the Group	26,326
	<hr/>
Total consideration	31,326
	<hr/>

*Analysis of assets and liabilities at date of disposal over which control was lost:*

	RMB'000 (unaudited)
Non-current assets	
Property plant and equipment	2,727
Right-of-use assets	206
Goodwill	5,942
Current assets	
Inventories	2,514
Trade and other receivables	35,882
Prepayments	7
Cash and cash equivalents	88
Current liabilities	
Trade and other payables	(12,624)
Bank borrowings	(1,000)
Non-current liabilities	
Deferred tax liabilities	(7,932)
	<hr/>
Net assets disposed of	25,810
	<hr/>

**25. DISPOSAL OF SUBSIDIARY** *(Continued)*

**Disposal took place during the period ended 30 June 2019** *(Continued)*

*Gain on disposal of a subsidiary:*

	RMB'000 (unaudited)
Total consideration	31,326
Net assets disposed of	<u>(25,810)</u>
Gain on disposal of a subsidiary <i>(note 4(a))</i>	<u>5,516</u>

*Net cash inflow on disposal of a subsidiary:*

	RMB'000 (unaudited)
Consideration received	5,000
Cash and cash equivalents disposed of	<u>(88)</u>
Net cash inflow on disposal of the subsidiary	<u>4,912</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 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.

### **CHARGES OF ASSETS**

Details of charges of the Group's assets during the reporting period are set out in note 15 to the condensed consolidated interim financial information in this report.

## OTHER INFORMATION

### FOREIGN EXCHANGE RISKS

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

### SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

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

On 8 March 2019, 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 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, 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 a sale and purchase 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 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:

<b>Use of the Net Proceeds</b>	<b>Available to use HK\$ million</b>	<b>Utilised (as at 30 June 2019) HK\$ million</b>	<b>Unutilised (as at 30 June 2019) HK\$ million</b>
Logistics center and related expenses	121.3	121.0	0.3
Acquisition or establishment of self-operated retail pharmacy stores	116.2	14.8	101.4
Working capital and other general corporate purposes	12.0	12.0	–
	<u>249.5</u>	<u>147.8</u>	<u>101.7</u>

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

**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 and this interim report.

### **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.

### **SHARE OPTION SCHEME**

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

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

In accordance with the resolution passed at the annual general meeting held in 28 June 2019 ("2019 AGM"), the maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the date of the 2019 AGM, i.e. 147,499,290 Shares. As at 30 June 2019, the total number of securities available for issue under the Scheme pursuant to its terms was 175,690,000 Shares, representing in aggregate approximately 11.91% of the Company's issued share capital as at the date of this interim report. Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

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

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

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

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

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

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

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

The details of share options granted under the Scheme during the six months ended 30 June 2019 are set out as follows:

Name	Date of grant	Vesting date	Number of share options					Outstanding as at 30 June 2019
			Outstanding as at 1 January 2019	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	
Mr. Chen Rongxin (an executive Director)	7 September 2018	7 September 2018	10,000,000 (Note 1)	-	-	-	-	10,000,000
Mr. Zhang Xiongfeng (a non-executive Director)	8 July 2016	8 July 2016	8,000,000 (Note 2)	-	-	-	-	8,000,000
	7 September 2018	7 September 2018	10,000,000 (Note 1)	-	-	-	-	10,000,000
Employees in aggregate	8 July 2016	8 July 2016	30,390,000 (Note 2)	-	-	-	-	30,390,000
	7 September 2018	7 September 2018	10,000,000 (Note 1)	-	-	-	-	10,000,000
Other eligible participates in aggregate	8 July 2016	8 July 2016	37,300,000 (Note 2)	-	-	-	-	37,300,000
	7 September 2018	7 September 2018	70,000,000 (Note 1)	-	-	-	-	70,000,000
Total			175,690,000	-	-	-	-	175,690,000

**Notes:**

- The exercise price of these options is HK\$0.67 and the exercise period is from 7 September 2018 to 25 May 2025, both dates inclusive. The closing price of the Shares immediately preceding the date of grant of these options was HK\$0.70. The Company received HK\$1 from each of the grantees of these options upon acceptance of the options granted.
- The exercise price of these options is HK\$0.60 and the exercise period is from 8 July 2016 to 31 December 2019, both dates inclusive. The closing price of the Shares immediately preceding the date of grant of these options was HK\$0.59. The Company received HK\$1 from each of the grantees of these options upon acceptance of the options granted.

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

As at 30 June 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO, as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 to the Listing Rules were as follows:

### Long positions in the Shares

Name of Director	Capacity/ nature of interest	Number of Shares held	Approximate percentage of shareholding <i>(Note 1)</i>
Mr. Chen Yenfei	Interest of a controlled corporation <i>(Note 2)</i>	753,040,000	51.05%
	Beneficial owner	13,560,000	0.92%
Mr. Shen Shun	Beneficial owner	3,500,000	0.24%
Mr. Chen Rongxin	Beneficial owner	414,820	0.03%
Mr. Zhang Xiongfeng	Beneficial owner	19,932,000	1.35%

#### Notes:

- The total number of Shares in issue as at 30 June 2019 (i.e. 1,474,992,908 Shares) has been used for the calculation of the approximate percentage of interest.
- Mr. Chen Yenfei holds 100% of the issued share capital of Praise Treasure Limited and is therefore deemed to be interested in the 753,040,000 Shares held by Praise Treasure Limited in the Company.

**Long position in the underlying Shares**

<b>Name of Director</b>	<b>Capacity/ nature of interest</b>	<b>Number of underlying Shares held</b>	<b>Approximate percentage of shareholding (Note 1)</b>
Mr. Chen Rongxin	Beneficial owner	10,000,000 (Note 2)	0.68%
Mr. Zhang Xiongfeng	Beneficial owner	18,000,000 (Note 3)	1.22%

*Notes:*

1. The total number of Shares in issue as at 30 June 2019 (i.e. 1,474,992,908 Shares) has been used for the calculation of the approximate percentage of interest.
2. These are 10,000,000 Shares to be issued upon exercise of the unlisted physically settled share options granted to Mr. Chen Rongxin on 7 September 2018 pursuant to the Scheme and can be exercised by Mr. Chen Rongxin between 7 September 2018 and 25 May 2025 at the subscription price of HK\$0.67 per Share.
3. These include (i) 8,000,000 Shares to be issued upon exercise of the unlisted physically settled share options granted to Mr. Zhang Xiongfeng on 8 July 2016 pursuant to the Scheme and can be exercised by Mr. Zhang Xiongfeng between 8 July 2016 to 31 December 2019 at the subscription price of HK\$0.60 per Share; and (ii) 10,000,000 Shares to be issued upon exercise of the unlisted physically settled share options granted to Mr. Zhang Xiongfeng on 7 September 2018 pursuant to the Scheme and can be exercised by Mr. Zhang Xiongfeng between 7 September 2018 and 25 May 2025 at the subscription price of HK\$0.67 per Share.

Save as disclosed above, as at 30 June 2019, none of the Directors and chief executive of the Company had or was deemed to have any interests or short position in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they had taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.



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

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

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

As at 30 June 2019, so far as the Directors and chief executive of the Company were aware, the following persons and corporations (excluding the directors and chief executive of the Company) had interests or short positions in any of the Shares or underlying Shares which were required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO.

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

<b>Name of Shareholder</b>	<b>Capacity/ nature of interest</b>	<b>Number of Shares held</b>	<b>Approximate percentage of issued share capital (Note 1)</b>
Praise Treasure Limited	Beneficial owner	753,040,000	51.05%

## (ii) Other persons' long positions in the Shares

Name of Shareholder	Capacity/ nature of interest	Number of Shares held	Approximate percentage of issued share capital <i>(Note 1)</i>
Winwin International Strategic Investment Funds SPC (acting for and on behalf of Win Win Stable No.1 Fund SP)	Person having a security interest in shares	753,040,000	51.05%
Zhongtai Innovation Capital Management Limited	Investment manager	753,040,000	51.05%

*Note:*

1. The total number of Shares in issue as at 30 June 2019 (i.e. 1,474,992,908 Shares) has been used for the calculation of the approximate percentage of interest.

Save as disclosed above, as at 30 June 2019, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in any of the Shares or underlying Shares which were required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **CHANGE IN DIRECTORS' INFORMATION**

On 31 March 2019, Mr. Lu Yongchao was appointed as an independent non-executive director of Glory Mark Hi-Tech (Holdings) Limited, a company listed on GEM of the Stock Exchange (stock code: 8159).

On 8 May 2019, Mr. Wong Tak Shing resigned as a company secretary of Greentech Technology International Limited, a company listed on the Main Board of the Stock Exchange (stock code: 195).

Save as disclosed above, since the date of the annual report of the Company for the year ended 31 December 2018 and up to the date of this report, there were no substantial changes to the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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