



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

2020

CONTENTS

	Page
CORPORATE INFORMATION	2
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS	4
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	5
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	6
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	8
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	9
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	10
MANAGEMENT DISCUSSION AND ANALYSIS	40
OTHER INFORMATION	45

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Chen Yenfei
(Chairman and Chief Executive Officer)
(vacated from his office as the Chairman and an Executive Director, and ceased to be the Chief Executive Officer, on 18 June 2020)

Mr. Shen Shun
Mr. Chen Rongxin

NON-EXECUTIVE DIRECTORS

Mr. Zhang Xiongfeng
Mr. Hu Haisong
Mr. Wu Guohua

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Liangzhong
Mr. Wong Tak Shing (retired on 31 July 2020)
Mr. Lu Yongchao

AUTHORISED REPRESENTATIVES

Mr. Chen Rongxin
Mr. Shen Shun

COMPANY SECRETARY

Mr. Hung Hing Hung *HKICPA*

AUDIT COMMITTEE

Mr. Liu Liangzhong *(Chairman)*
Mr. Lu Yongchao
Mr. Wong Tak Shing (retired on 31 July 2020)

REMUNERATION COMMITTEE

Mr. Liu Liangzhong *(Chairman)*
Mr. Chen Yenfei (ceased on 18 June 2020)
Mr. Wong Tak Shing

NOMINATION COMMITTEE

Mr. Chen Yenfei *(Chairman)*
(ceased on 18 June 2020)
Mr. Liu Liangzhong
Mr. Lu Yongchao

CORPORATE GOVERNANCE COMMITTEE

Mr. Chen Yenfei *(Chairman)*
(ceased on 18 June 2020)
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

Unit K, 3/F, Wanda Industrial Building,
328 Kwun Tong Road,
Kwun Tong, Kowloon,
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 1510-1517, 15/F., Tower 2,
Kowloon Commerce Centre,
No. 51 Kwai Cheong Road, Kwai Chung,
New Territories, Hong Kong

STOCK CODE

00574

COMPANY'S WEBSITE

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 2020 together with the comparative figures for the corresponding period in 2019. The Group’s interim results are unaudited, but have been reviewed by the audit committee of the Company (the “Audit Committee”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
(Loss)/profit for the period	(8,823)	4,789
Other comprehensive (loss)/income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities outside the People's Republic of China ("PRC" or "China")	<u>8,477</u>	<u>1,376</u>
Total comprehensive (loss)/income for the period	<u>(346)</u>	<u>6,165</u>
Total comprehensive (loss)/income for the period attributable to:		
Equity shareholders of the Company	<u>(400)</u>	<u>5,990</u>
Non-controlling interests	<u>54</u>	<u>175</u>
	<u>(346)</u>	<u>6,165</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	<i>Notes</i>	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	50,339	51,642
Right-of-use assets	11	5,003	3,060
Investments in associates		51,563	50,580
Other intangible assets		28,214	29,632
Financial assets at fair value through other comprehensive income		–	3,000
Property development project	12	185,797	185,797
Other non-current assets	13	1,972	1,972
Deferred tax assets		5,645	6,312
		328,533	331,995
CURRENT ASSETS			
Inventories		15,448	14,849
Trade and other receivables	14	428,888	373,740
Prepayments and deposits paid	15	198,066	179,179
Amounts due from related parties		85	85
Pledged bank deposits	16	–	9,893
Cash and cash equivalents	16	5,974	16,125
		648,461	593,871
CURRENT LIABILITIES			
Trade and other payables	17	150,608	111,979
Bank borrowings		10,000	6,000
Amount due to a shareholder		1,445	283
Amounts due to associates		2	2
Amounts due to related parties		126	144
Corporate bonds payable	18	32,195	26,871
Income tax payable		8,616	8,695
		202,992	153,974
NET CURRENT ASSETS		445,469	439,897
TOTAL ASSETS LESS CURRENT LIABILITIES		774,002	771,892

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 June 2020

	Notes	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Deferred income – government grant		23,797	24,053
Corporate bonds payable	18	65,389	64,143
Lease liabilities		1,580	114
		<u>90,766</u>	<u>88,310</u>
NET ASSETS		<u>683,236</u>	<u>683,582</u>
CAPITAL AND RESERVES			
Share capital	19	1,216	1,216
Reserves		695,867	696,267
Total equity attributable to equity shareholders of the Company		<u>697,083</u>	<u>697,483</u>
Non-controlling interests		<u>(13,847)</u>	<u>(13,901)</u>
TOTAL EQUITY		<u>683,236</u>	<u>683,582</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2020*

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	PRC statutory reserve	Investment revaluation	Share option reserve	Exchange reserve	Other reserve	(Accumulated losses)/ 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
At 31 December 2019	1,216	691,882	33,157	(22,000)	11,456	(9,545)	(26,534)	17,851	697,483	(13,901)	683,582
Profit for the period	-	-	-	-	-	-	-	(8,877)	(8,877)	54	(8,823)
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of financial statements of entities outside the PRC	-	-	-	-	-	8,477	-	-	8,477	-	8,477
Total comprehensive income for the period	-	-	-	-	-	8,477	-	(8,877)	(400)	54	(346)
Transferred to accumulated losses upon disposal of related financial assets	-	-	-	22,000	-	-	-	(22,000)	-	-	-
Appropriation to PRC statutory reserve	-	-	147	-	-	-	-	(147)	-	-	-
At 30 June 2020 (unaudited)	1,216	691,882	33,304	-	11,456	(1,068)	(26,534)	(13,173)	697,083	(13,847)	683,236
At 31 December 2018	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)	-	-	-
At 30 June 2019 (unaudited)	1,216	691,882	49,858	-	20,537	(86)	(26,534)	190,404	927,277	(14,048)	913,229

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

		Six months ended 30 June	
Notes	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	
	26,297	(18,278)	
Net cash generated from/(used in) operating activities			
Investing activities			
Disposal of a subsidiary	25	4,912	
Disposal of an associate	-	8,124	
Disposal of financial asset at fair value through other comprehensive income	3,000	-	
Decrease in pledged bank deposits	9,893	40,589	
Other net cash inflows	6	23	
Net cash generated from investing activities	12,899	53,648	
Financing activities			
Repayment of bank loans	-	(28,824)	
Other net cash inflow/(outflow)	3,253	(1,876)	
Net cash generated from/(used in) financing activities	3,253	(30,700)	
Net (decrease)/increase in cash and cash equivalents	(10,145)	4,670	
Cash and cash equivalents at the beginning of the period	16,125	48,831	
Effect of changes in foreign exchange rates	(6)	(22)	
Cash and cash equivalents at the end of the period	5,974	53,479	
16			

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

The preparation of the unaudited condensed consolidated interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

2. CHANGES IN ACCOUNTING POLICIES

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

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendment to HKFRS 16	COVID-19 Related Rent Concessions

The application of other new and amended standards effective in respect of the current period had not resulted in significant impact on the Group’s condensed consolidated interim financial statements. The Group has also not applied any new or amended standards that are not effective in respect of the current period.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Pharmaceutical distribution	248,095	415,127
Self-operated retail pharmacies	–	1,255
Pharmaceutical manufacturing	10,184	35,806
	258,279	452,188

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

No analysis of the Group's assets and liabilities by operating segments was regularly provided to the chief operating decision makers for review during the six months ended 30 June 2020 and 2019 for the purposes of resource allocation and performance assessment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by and the expenses incurred by those segments. The measure used for reporting segment profit is gross profit. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

3. REVENUE AND SEGMENT REPORTING *(Continued)***(b) Segment reporting** *(Continued)**(ii) Reconciliations of reportable segment revenue and profit or loss*

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue		
Reportable segment revenue	258,279	452,298
Elimination of inter-segment revenue	–	(110)
	<hr/>	<hr/>
Consolidated revenue <i>(note 3(a))</i>	258,279	452,188
	<hr/>	<hr/>
Profit		
Reportable segment profit	6,857	32,021
Elimination of inter-segment loss	–	11
	<hr/>	<hr/>
Gross profit derived from external customers	6,857	32,032
Other income and gains	8,644	11,535
Other losses	(3,175)	(2,897)
Selling and distribution expenses	(3,583)	(6,495)
General and administrative expenses	(11,770)	(19,837)
Finance costs	(5,129)	(6,137)
Share of profit of associate	–	651
	<hr/>	<hr/>
Consolidated (loss)/profit before tax	(8,156)	8,852
	<hr/>	<hr/>
Other items		
Depreciation and amortisation		
Reportable segment total	56	58
Unallocated total	3,150	1,780
	<hr/>	<hr/>
Consolidated total	3,206	1,838
	<hr/>	<hr/>

4. OTHER INCOME AND GAINS AND OTHER LOSSES**(a) Other income and gains**

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Franchise fee	3,539	3,893
Bank interest income	37	34
Interest income from other loan receivables	2,037	–
Rental income	–	2
Deferred income – government grant	256	256
Exchange gain	1	560
Gain on disposal of property, plant and equipment	–	13
Gain on disposal of subsidiary (<i>note 25</i>)	–	5,516
Royalty fee income	2,000	–
Reversal of impairment loss in other receivables	–	32
Others	774	1,229
	8,644	11,535

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

4. OTHER INCOME AND GAINS AND OTHER LOSSES *(Continued)***(b) Other losses**

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

5. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings	293	967
Corporate bonds payable <i>(note 18)</i>	4,775	5,039
Lease liabilities	10	52
Others	51	79
	5,129	6,137

6. (LOSS)/PROFIT BEFORE TAX

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

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

Notes:

- (i) Cost of inventories sold for the six months ended 30 June 2020 includes staff costs and depreciation and amortisation expenses totalled RMB390,000 (six months ended 30 June 2019: RMB346,000) which are also included in the respective total amounts disclosed separately above.
- (ii) The total staff costs include directors' emoluments.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax – PRC Enterprise Income Tax		
Provision for the period	–	4,682
Deferred tax		
Origination and reversal of temporary differences	667	(619)
	667	4,063

- (i) The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.
- (ii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (iii) No provision for Hong Kong Profits Tax for the six months ended 30 June 2020 and 2019 has been made in the condensed consolidated statement of profit or loss as the Group has no assessable profits arising in Hong Kong for both of the periods presented.
- (iv) The Group's PRC subsidiaries are subject to PRC Enterprise Income Tax at the statutory rate of 25%. No provision for PRC Enterprises Income Tax for the current period has been made in the condensed consolidated statement of profit or loss as the Group had no profit for the period which is assessable to such PRC income tax.

Chengdu Toyot Pa Shun Pharmacy Co., Ltd. (“Chengdu Pashun”), a wholly-owned subsidiary of the Company, applied for preferential income tax treatment under the Notice on the Issues of Tax Policies for Thorough Implementation of Western Development Strategy. Chengdu Pashun obtained the approval from local tax authority and is entitled to a preferential income tax rate of 15% for the period from 1 January 2011 to 31 December 2020.

8. DIVIDENDS

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2020 (2019: Nil).

9. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

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

(b) Diluted (loss)/earnings per share

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

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

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group did not acquire or dispose of any significant items of property, plant and equipment. Depreciation of property, plant and equipment for the six months ended 30 June 2020 amounted to RMB1,328,000 (six months ended 30 June 2019: RMB1,838,000).

11. RIGHT-OF-USE ASSETS

During the current interim period, the Group entered into a new lease agreement for the use of office properties for 4 years. The Group is required to make fixed yearly payments during the contract period. On lease commencement, the Group recognised additional right-of-use asset and lease liabilities with the same amount of approximately RMB2,457,000.

12. PROPERTY DEVELOPMENT PROJECT

	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
Property development project in the PRC, at cost	<u>185,797</u>	<u>185,797</u>

There were no movements of the carrying amount of the property development project for the six months ended 30 June 2020.

Up to the end of 31 December 2019, the Group had payments to a third party, Chengdu Yiming Investment Management Company Limited (“Chengdu Yiming”), amounted to approximately 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 financed as to 30% and 70% by the Group and Chengdu Yiming respectively and the subsidiary and Chengdu Yiming are entitled to share 30% and 70% the ownership of the land used for the property development project and the properties after the completion of development.

13. OTHER NON-CURRENT ASSETS

	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
Deposits paid for acquisition of property, plant and equipment	<u>1,972</u>	<u>1,972</u>

14. TRADE AND OTHER RECEIVABLES

	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
Trade and commercial bills receivables (<i>note a</i>)	343,886	291,586
Bank bills receivables (<i>note b</i>)	1,123	1,494
Other receivables (<i>note c</i>)	83,879	80,660
	<u>428,888</u>	<u>373,740</u>

Notes:

(a) Trade and commercial bills receivables

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

	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
Within 1 month	83,403	9,380
1 to 3 months	11,635	30,709
4 to 6 months	5,130	69,398
Over 6 months	243,718	182,099
	<u>343,886</u>	<u>291,586</u>

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

14. TRADE AND OTHER RECEIVABLES (Continued)*Notes: (Continued)***(b) Bank bills receivables**

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

(c) Other receivables

An analysis of other receivables is as follows:

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

Notes:

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

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

15. PREPAYMENTS AND DEPOSITS PAID

	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
Advance payments to suppliers (<i>note</i>)	188,553	169,735
Other deposits and prepayments	9,513	9,444
	<u>198,066</u>	<u>179,179</u>

Note:

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.

16. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
Pledged bank deposits (<i>notes a, b and c</i>)	–	9,893
Cash and cash equivalents in the condensed consolidated statement of financial position		
– Cash at banks and on hand	<u>5,974</u>	<u>16,125</u>
	<u>5,974</u>	<u>26,018</u>

Notes:

- (a) As at 31 December 2019, bank deposits amounting to RMB9,893,000 have been pledged to banks for bills facilities of RMB11,787,000. The pledged bank deposits will be released upon the settlement of relevant bills payables. The bills facilities to the extent of RMB11,787,000 were utilised as at the end of the reporting period.
- (b) Cash at bank earned interest at floating rates based on daily bank deposit rates.
- (c) As at 31 December 2019, cash and cash equivalents and pledged bank deposits placed with banks in the PRC amounted to RMB5,886,000. 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.

17. TRADE AND OTHER PAYABLES

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

Notes:

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

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

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

17. TRADE AND OTHER PAYABLES *(Continued)**Notes: (Continued)*

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

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

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

18. CORPORATE BONDS PAYABLE

	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
Carrying amount of corporate bonds due in:		
– 2019	3,706	3,635
– 2020	24,842	23,236
– 2021	15,460	14,324
– 2022	3,075	2,857
– 2023	854	796
– 2024	32,827	30,479
– 2025	16,820	15,687
	97,584	91,014
Payable		
– Within one year	32,195	26,871
– In the second to fifth years	65,389	64,143
– More than five years	–	–
	97,584	91,014
Analysed for reporting purposes as:		
Current liability	32,195	26,871
Non-current liability	65,389	64,143
	97,584	91,014
Movements in corporate bonds payable are as follows:		
At beginning of the period/year	91,014	87,410
Interest recognised as finance costs (<i>note 5</i>)	4,775	10,421
Accrued interest reclassified and included in trade and other payables	–	(6,584)
Repayments during the period/year	–	(1,864)
Exchange realignment	1,795	1,631
	97,584	91,014
At end of the period/year	97,584	91,014

18. CORPORATE BONDS PAYABLE *(Continued)*

At 30 June 2020, corporate bonds with principal amount of HK\$111,900,000 (31 December 2019: HK\$111,900,000) remained outstanding.

19. SHARE CAPITAL

	Six months ended 30 June 2020 (unaudited)		Year ended 31 December 2019 (audited)	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
Authorised:				
At beginning of the period/year	5,000,000	5,000	2,000,000	2,000
Increase in ordinary shares during the year	–	–	3,000,000	3,000
At end of the period/year	<u>5,000,000</u>	<u>5,000</u>	<u>5,000,000</u>	<u>5,000</u>

	Six months ended 30 June 2020 (unaudited)			Year ended 31 December 2019 (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
Issued and fully paid:						
At the beginning of the period/year	1,474,993	1,475	1,216	1,357,874	1,358	1,116
Issue of shares upon acquisition of subsidiaries	–	–	–	117,119	117	100
At the end of the period/year	<u>1,474,993</u>	<u>1,475</u>	<u>1,216</u>	<u>1,474,993</u>	<u>1,475</u>	<u>1,216</u>

20. 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.

20. 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 2020. During the year ended 31 December 2019, options to subscribe for 75,690,000 shares at the exercise price of HK\$0.60 per share were lapsed.

Movements in the number of share options outstanding during the six months ended 30 June 2020 and the year ended 31 December 2019 and their exercise prices are as follows:

	Six months ended 30 June 2020 (unaudited)					Year ended 31 December 2019 (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	0.67	20,000	10,000	70,000	100,000	0.64	28,000	40,390	107,300	175,690
Lapsed during the year	-	-	-	-	-	(0.6)	(8,000)	(30,390)	(37,300)	(75,690)
At end of the period/year	0.67	20,000	10,000	70,000	100,000	0.67	20,000	10,000	70,000	100,000
Exercisable at the end of the period/year	0.67	20,000	10,000	70,000	100,000	0.67	20,000	10,000	70,000	100,000

The options are exercisable during the period from 7 September 2018 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 2019: Nil) 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\$0.67 per share (31 December 2019: HK\$0.67 per share). The weighted average remaining contractual life of outstanding share options granted and outstanding at the end of the reporting period is 4.9 years (31 December 2019: 5.4 years).

21. 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 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
—	3,000

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

During the six months ended 30 June 2020 and 30 June 2019, 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 2020 and 31 December 2019 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.

22. COMMITMENTS

	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
Commitments contracted but not provided for in respect of		
– property development project	<u>2,027</u>	<u>2,027</u>
	<u>2,027</u>	<u>2,027</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:

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Salaries, wages and other benefits	939	1,456
Contributions to defined contribution retirement plans	4	56
	<u>943</u>	<u>1,512</u>

24. ACQUISITION OF SUBSIDIARIES

The Group has not acquired any subsidiaries during the six months ended 30 June 2020. Details of the Group's acquisition of subsidiaries during the six months ended 30 June 2019 are as follows:

(i) 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.

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

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.

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

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

24. ACQUISITION OF SUBSIDIARIES *(Continued)***(ii) 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)***(ii) 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)
Assets	
Interest in associate	12,499
Amount due from shareholder	<u>9</u>
	<u>12,508</u>
Liabilities	
Other payables	6
Amount due to associate	<u>1</u>
	<u>7</u>
Total identifiable net assets acquired	<u>12,501</u>
Representing	
Consideration transferred	
– shares issued by the Company	<u>12,501</u>

25. DISPOSAL OF SUBSIDIARY

On 30 June 2020, the Group disposed of its 2% equity interests in a subsidiary, Chengdu Pashun Pharmacy Chain Store Co. Ltd. , for a consideration of RMB100,000 (2019 : Nil). In addition, based on the agreement for the disposal, the voting right corresponding to these 2% equity interest will be retained to the Group for 3 years from 30 June 2020. The effects of the non-controlling interests' share of results and net assets of this subsidiary from this disposal are insignificant and have not been accounted for in the interim condensed consolidated financial statements. Details of the Group's disposal of subsidiary during the six months ended 30 June 2019 are as follows:

Disposal of Yanchi County Medical & Pharmaceutical Herbal Co., Ltd.

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	<u>26,326</u>
Total consideration	<u>31,326</u>

25. DISPOSAL OF SUBSIDIARY *(Continued)***Disposal of Yanchi County Medical & Pharmaceutical Herbal Co., Ltd.** *(Continued)**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	<u>(7,932)</u>
Net assets disposed of	<u>25,810</u>

25. DISPOSAL OF SUBSIDIARY *(Continued)*

Disposal of Yanchi County Medical & Pharmaceutical Herbal Co., Ltd. *(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 2020. For the self-operated retail pharmacies business, the Group continued to seek mergers and acquisitions opportunities in respect of established retail pharmacy chains in order to revitalize the business segment.

REVENUE

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

COST OF SALES, GROSS PROFIT AND GROSS PROFIT MARGIN

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

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

SELLING AND DISTRIBUTION EXPENSES

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

GENERAL AND ADMINISTRATIVE EXPENSES

The Group's general and administrative expenses decreased by approximately 40.7% from RMB19.8 million for the six months ended 30 June 2019 to RMB11.8 million for the six months ended 30 June 2020. The decrease was attributable to the one off expenses of consultation, legal and professional fee incurred during the six months ended 30 June 2019 arising from the acquisitions of two companies which indirectly hold interest in certain units located in the building called "The Apple" which is a multi-storey building located in Melaka, Malaysia. No such acquisition was noted during the six months ended 30 June 2020.

OTHER INCOME AND GAINS

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

OTHER NET LOSS

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

FINANCE COSTS

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

PROFIT BEFORE TAX

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

INCOME TAX EXPENSE

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

PROFIT FOR THE PERIOD AND NET PROFIT MARGIN

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

OUTLOOK

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

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

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

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

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

As at 30 June 2020, the total number of issued ordinary shares of the Company was 1,474,993,000 shares (31 December 2019: 1,474,993,000 shares) (“Shares”). In 2018, the Company has granted to certain eligible persons share options (“Options”) to subscribe for an aggregate of 100,000,000 Shares under the share option scheme adopted by the Company by ordinary resolution of all shareholders of the Company passed on 26 May 2015. As at 30 June 2020, 100,000,000 share options remained outstanding. Please refer to the announcements of the Company dated 7 September 2018 for details of the grant of the Options. No options were granted during the six months ended 30 June 2020.

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

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

CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any significant contingent liabilities.

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

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

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

HUMAN RESOURCES

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

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

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

CORPORATE GOVERNANCE

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

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer of the Company should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. During the six months ended 30 June 2020 and up to 17 June 2020, Mr. Chen Yenfei was the chairman of the Board as well as the chief executive officer of the Company. He has extensive experience in medicine industry and is responsible for the overall corporate strategies, planning and business management of the Group. The Board considered that vesting the roles of chairman and chief executive officer in the same individual was beneficial to the business prospects and management of the Group. The balance of power and authorities was ensured by the operation of the Board and the senior management, which comprise experienced and high caliber individuals.

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

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

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

AUDIT COMMITTEE

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

The Audit Committee comprises two independent non-executive Directors, namely, Mr. Liu Liangzhong and Mr. Lu Yongchao. The chairman of the Audit Committee is Mr. Liu Liangzhong who has appropriate professional qualifications. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group, and discussed the internal controls and financial reporting matters, including a review of the interim financial results for the six months ended 30 June 2020 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 2020.

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 2020 are set out as follows:

Name	Date of grant	Vesting date	Number of share options					Outstanding as at 30 June 2020
			Outstanding as at 1 January 2020	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 <i>(Note 1)</i>	-	-	-	-	10,000,000
	7 September 2018	7 September 2018	10,000,000 <i>(Note 1)</i>	-	-	-	-	10,000,000
Employees in aggregate	7 September 2018	7 September 2018	10,000,000 <i>(Note 1)</i>	-	-	-	-	10,000,000
Other eligible participates in aggregate	7 September 2018	7 September 2018	70,000,000 <i>(Note 1)</i>	-	-	-	-	70,000,000
Total			100,000,000	-	-	-	-	100,000,000

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.

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 2020, 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	34,814,000	2.36%

Notes:

- The total number of Shares in issue as at 30 June 2020 (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

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

Notes:

1. The total number of Shares in issue as at 30 June 2020 (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 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 2020, 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 2020, 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

Name of Shareholder	Capacity/ nature of interest	Number of Shares held	Approximate percentage of issued share capital <i>(Note 1)</i>
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 (Note 1)
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%
Arab Osman Mohammed (note 2)	Agent	753,040,000	51.05%
Lai Wing Lun (note 2)	Agent	753,040,000	51.05%

Note:

1. The total number of Shares in issue as at 30 June 2020 (i.e. 1,474,992,908 Shares) has been used for the calculation of the approximate percentage of interest.
2. 753,040,000 Shares (the "Charged Shares") were pledged by Praise Treasure Limited in favour of Winwin International Strategic Investment Funds SPC (acting for and on behalf of Win Win Stable No.1 Fund SP) to secure certain indebtedness of Praise Treasure Limited, and on 27 September 2019, Mr. Osman Mohammed Arab and Mr. Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited were appointed as joint and several receivers and managers over the Charged Shares. The Charged Shares represent approximately 51.05% of the issued share capital of the Company as at the date of this interim report.

Save as disclosed above, as at 30 June 2020, 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 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CHANGE IN DIRECTORS' INFORMATION

Mr. Wu Guohua is currently the vice president of 海南天宇科技有限公司, a company engaged in satellite business.

On 30 June 2020, Mr. Lu Yongchao was retired 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).

Save as disclosed above, since the date of the annual report of the Company for the year ended 31 December 2019 and up to the date of this report, 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. Wu Guohua
Non-executive director

Hong Kong, 31 August 2020